

Group Profit and Loss Account for the year ended 31st March 1977

	Notes	1977 £m	1976 £m
Sales (excluding VAT)		735.0	611.2
Profit before taxation	2	91.1	72.2
Taxation	3	47.9	35.9
Profit after taxation		43.2	36.3
Attributable to minority interests		.8	.6
Profit attributable to shareholders	4	42.4	35.7
Dividends			
Interim paid of .9745p per share		3.4	3.2
Second interim declared of 1.7081p per share (1976 final)		6.1	5.5
Provision for third interim of .0525p per share	4	.2	—
2.7351p per share			
Profit retained		32.7	27.0
Earnings per share	5	11.9p	10.0p

The notes on pages 23 to 28 form part of the accounts.

Sources and Applications of Funds for the year ended 31st March 1977

		1977		1976	
		£m	£m	£m	£m
Sources	Profit before taxation		91.1		72.2
	Depreciation		10.5		8.7
	Book value of fixed assets sold		2.3		2.3
	Pension provision		8.8		8.8
			<u>112.7</u>		<u>92.0</u>
	Funds from outside sources		—		—
			<u>112.7</u>		<u>92.0</u>
Applications	Capital expenditure		37.0		32.4
	Investments		.2		.8
	Working capital:				
	Increase in stocks	33.7		20.6	
	Increase in debtors	11.9		5.5	
	Increase in creditors	(17.1)		(17.2)	
			<u>28.5</u>		<u>8.9</u>
	Redemption of loan capital		.1		.2
	Payment to Boots Pension Fund		8.8		—
	Dividends paid		8.9		8.2
Taxation paid		33.3		24.6	
Other applications		.5		.2	
			<u>117.3</u>		<u>75.3</u>
Net cash and short term investments	At 31st March 1977	47.5		52.1	
	At 31st March 1976	52.1		35.4	
			<u>(4.6)</u>		<u>16.7</u>
			<u>112.7</u>		<u>92.0</u>

Balance Sheets 31st March 1977

	Notes	Group		Parent	
		1977 £m	1976 £m	1977 £m	1976 £m
Sources of capital					
Shareholders' interests					
Share capital	6	89.0	89.0	89.0	89.0
Reserves	7	152.5	119.8	80.3	56.1
		<u>241.5</u>	<u>208.8</u>	<u>169.3</u>	<u>145.1</u>
Loan capital	8	11.6	11.7	7.8	7.8
Minority interests		1.9	1.2	—	—
Deferred taxation	9	47.8	31.1	16.7	8.5
Provision for pensions	2	8.8	8.8	8.8	8.8
		<u>311.6</u>	<u>261.6</u>	<u>202.6</u>	<u>170.2</u>
Employment of capital					
Fixed assets	10	194.4	169.8	41.7	34.2
Subsidiaries	11	—	—	99.1	83.8
Investments	12	1.0	.8	1.0	.8
Net current assets	13	116.2	91.0	60.8	51.4
		<u>311.6</u>	<u>261.6</u>	<u>202.6</u>	<u>170.2</u>

G. I. HOBDAY
D. E. M. APPLEBY | Directors

The notes on pages 23 to 28 form part of the accounts

Annual Report for the year ended 31st March 1977

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Shareholders are asked to note the change of venue for the annual general meeting. Numbers attending the meetings are now so great that we cannot comfortably accommodate them at Beeston.

Notice of the Annual General Meeting

Notice is hereby given that the annual general meeting of The Boots Company Ltd. will be held at The Chartered Insurance Institute, 20 Aldermanbury, London, EC2V 7HY, on Thursday the 14th day of July 1977, at 11.15 a.m.

The business of the meeting will be:

- (a) To receive the directors' report and statement of accounts and the auditors' report thereon.
- (b) To elect directors.
- (c) To appoint auditors.
- (d) To fix the remuneration of auditors.
- (e) To transact any other business which may be dealt with at the meeting.

Please note that this meeting will be followed by an Extraordinary General Meeting (notice enclosed).

Notes

1. A member entitled to attend and vote may appoint one or more proxies (who need not be members) to attend and vote instead of him.
2. A statement of transactions of directors (and of their family interests) in the shares of the company will be available for inspection at 1 Thane Road West, Nottingham, on any weekday (Saturdays excluded) from the 16th June to 13th July 1977, during usual business hours, and at the above address on 14th July 1977 from 10.45 a.m. until the conclusion of the meeting.
3. No director of the company has a written service agreement.

By order of the board, D. N. EDMUNDSON, Secretary.
Dated this 16th day of June 1977.

The directors would be glad to have an opportunity of meeting shareholders who will be attending.

Coffee will be served prior to the meeting from 10.45 a.m.

Board of Directors

G. I. Hobday	Chairman
D. E. M. Appleby	Group Managing Director
A. D. Spencer	Managing Director—Retail Division
P. T. Main, M.D.	Chief Executive Officer—Industrial Division

*J. H. Arkell, C.B.E.

R. N. Gunn

H. J. Hann

B. Jefferies

*Lord Redmayne, P.C., D.S.O.

*B. F. W. Scot., C.B.E.

*M. J. Verey

A. G. S. Wilkes

F. W. Wright, F.P.S.

D. N. Edmundson

Registered office

Auditors

Bankers

Secretary

Nottingham, NG2 3AA

Peat, Marwick, Mitchell & Co.

National Westminster Bank Ltd.

*Non-executive directors

Report of the Directors

Profits, dividends and retentions

The directors present their eighty-ninth annual report to shareholders, together with the audited accounts for the year ended 31st March 1977.

The group profit and loss account shows a profit before taxation of £91.1m, compared with £72.2m for the previous year, and a profit after taxation of £43.2m as against £36.3m. The profit after taxation attributable to the shareholders is £42.4m compared with £35.7m for the previous year.

Report of the Directors

Profits, dividends and retentions—cont.

The directors have declared the payment of a second interim dividend of 1.7081p per share based on a rate of tax credit of 35%. Provision has also been made for a third interim dividend of .0525p per share which will be declared if the rate of tax credit changes to 33%. These dividends are the maximum permitted under present legislation when added to the interim dividend of .9745p already paid.

The remainder of the group net profit after paying these dividends is £32.7m which has been transferred to reserves. Further details are shown on page 20.

Principal activities

The principal activities of the group are retailing of chemist/other merchandise and research, manufacturing and marketing of pharmaceuticals, toiletries, and agricultural chemicals throughout the world.

Sales and profits are shown below:

	1977		1976	
	Sales £m	Profits £m	Sales £m	Profits £m
Retailing	628.4	54.9	528.2	45.7
Manufacturing UK	92.0	13.8	79.4	13.1
Exports	36.9	15.9	29.4	12.1
Overseas subsidiaries	44.0	9.5	33.0	6.1
Interest and other net income	—	5.8	—	4.0
Pension Fund provision	—	(8.8)	—	(8.8)
Sales within the group	(66.3)	—	(58.8)	—
	735.0	91.1	611.2	72.2
Overseas sales and profits included above are:				
Africa and Near East	15.0	4.2	10.6	3.0
Australasia	10.2	2.4	8.3	1.6
Asia	12.9	3.7	10.4	2.5
Americas	7.1	5.8*	4.6	4.0*
Europe	26.5	9.3	19.8	7.1
	71.7	25.4	53.7	18.2

*Including royalties of £3.0m (1976 £2.1m)

Fixed assets

The directors are of the opinion that the market values of the properties of the group, which are all employed in the business, are substantially in excess of the net book value of £125.4m, which, together with movements of fixed assets, is shown in note 10 on page 26.

Employees The average weekly number of employees in the UK during the year was 65,950 which included 29,762 part-time staff.
The aggregate remuneration paid to these employees was £114.7m.
The 29 non-white employees of our South African company, as forecast in the last annual report, are all now paid above the M.E.L. Further information is available on request to the Secretary.

Charitable and political payments Payments totalling £105,000 have been made during the year for charitable and educational purposes. There were no political payments.

Directors Mr. L. A. Coombs resigned from the board on 6th October 1976.
Mr. R. N. Gunn and Mr. B. F. W. Scott, C.B.E., were appointed to the board on 1st November 1976, and in accordance with article 107 retire and offer themselves for re-election.
Mr. J. H. Arkell, C.B.E., retires by rotation in accordance with article 100 and offers himself for re-election.

	Number of shares		Loan stock All beneficially held	
	Beneficially held	Otherwise held		
This table sets out the interests of the directors and their families in the share and loan capital of the company (holdings at 1st April 1976 or at the date of appointment, are shown in brackets where they differ):	G. I. Hobday	24,000	—	£101
	D. E. M. Appleby	4,000 (3,200)	—	—
	A. D. Spencer	2,500	—	—
	P. T. Main, M.D.	1,100	—	—
	J. H. Arkell, C.B.E.	3,000	—	—
	R. N. Gunn	1,100	—	£23
	H. J. Hann	2,400 (2,000)	— (400)	—
	B. Jefferies	5,686	—	£177
	Lord Redmayne, P.C., D.S.O.	4,000	—	—
	B. F. W. Scott, C.B.E.	1,000	—	—
	M. J. Verey	7,300	—	—
	A. G. S. Wilkes	1,100	—	—
	F. W. Wright, F.P.S.	800	—	—
	Directors' holdings at 19th May 1977 are unchanged.			

Company status The Boots Company Ltd. is not a close company.

Auditors It is proposed to appoint Messrs. Peat, Marwick, Mitchell & Co., as auditors and a resolution concerning their remuneration will be proposed at the Annual General Meeting.

By order of the board. D. N. EDMUNDSON, Secretary. 19th May 1977.

Principal Companies

Parent	The Boots Company Ltd.	Percentage held by		
		Parent	Subsidiaries	
Subsidiaries (incorporated in Great Britain)	Boots The Chemists Ltd.	100		
	Boots Pure Drug Co. Ltd.	100		
	Boots International Ltd.	100		
	Boots Farm Sales Ltd.	100		
	Timothy Whites Ltd.	100		
	Whites Property Co. Ltd.		100	
	The Crookes Laboratories Group Ltd.	100		
	Crookes Anestan Ltd.	100		
	Watts Brothers (Manchester) Ltd.	100		
Subsidiaries (incorporated overseas)				
	Australia	The Boots Company (Australia) Pty. Ltd.	100	
	Belgium	The Boots Company (Belgium) S.A.		100
	France	Laboratoires Dacour, S.A.	92.5	
		Société B.H.Y.S., S.A.	70	
	Holland	The Boots Company (Holland) B.V.	100	
	India	The Boots Company (India) Ltd.	58.1	
	Italy	Boots-Formenti S.p.A.	55	
	Kenya	The Boots Company (Kenya) Ltd.		100
	New Zealand	Boots The Chemists (New Zealand) Ltd.	100	
	Nigeria	The Boots Company (Nigeria) Ltd.	60	
	Pakistan	The Boots Company (Pakistan) Ltd.	56.5	
	Singapore	The Boots Company (Far East) Pte. Ltd.	100	
	South Africa	The Boots Company (South Africa) (Pty.) Ltd.	100	
	Tanzania	K.O.C. (Tanzania) Ltd.		100
Thailand	The Boots Company (Thailand) Ltd.	100		

All the above shares held are ordinary shares.
All the companies operate principally in the country of incorporation.

Directors and Officers of Principal Subsidiaries

Boots The Chemists Ltd.

Chairman	A. D. Spencer		
Directors	K. Ackroyd, M.P.S. D. E. M. Appleby A. A. Binney S. R. Burdon, M.P.S. D. Cargill R. Clair, M.P.S. R. G. Ciow, M.P.S. W. Cooper, M.P.S. J. G. Davies, M.P.S. T. K. W. Davies	L. W. Day, M.P.S. J. J. E. Fergusson, M.P.S. M. Gibson R. N. Gunn H. J. Hann D. Happs, M.P.S. W. D. Jarrett, M.P.S. B. Jefferies K. Jervis, M.P.S.	J. P. Lewis, M.P.S. W. K. S. Moore, M.B., B.Chir. A. P. Ridley-Thompson J. M. T. Ross, F.P.S. B. Silverman, M.P.S. G. R. Solway B. H. C. Theobald A. G. S. Wilkes F. W. Wright, F.P.S.
Secretary	D. N. Edmundson		

Timothy Whites Ltd.

Chairman	A. D. Spencer		
Directors	D. E. M. Appleby E. A. Cleaver T. K. W. Davies	R. N. Gunn H. J. Hann B. Jefferies	J. A. Prescott, M.P.S. C. D. Weston F. W. Wright, F.P.S.
Secretary	D. N. Edmundson		

Boots Pure Drug Co. Ltd.

Chairman	D. E. M. Appleby		
Directors	G. Buxton E. E. Cliffe S. A. Hibbert, M.P.S. G. A. Hollows	B. Jefferies S. A. B. Kipping P. T. Main, M.D. Miss J. M. Savage	C. E. G. Scarth A. D. Spencer A. G. S. Wilkes J. H. Wilson
Secretary	I. A. Hawtin		

Boots International Ltd.

Chairman	D. E. M. Appleby		
Directors	B. Jefferies I. F. Kent P. T. Main, M.D.	T. G. Richardson K. T. Robinson	A. D. Spencer A. G. S. Wilkes
Secretary	I. A. Hawtin		

Boots Farm Sales Ltd.

Chairman	P. T. Main, M.D.		
Directors	D. J. Higgons I. F. Kent	D. R. Knight G. M. Rankin	N. J. Reeves
Secretary	I. A. Hawtin		

Group Highlights for the year ended 31st March 1977

			% change over previous year
Sales (excluding VAT)	Ventes Umsätze	£735.0 m	+ 20.2%
of which:	dont: davon:		
Sales in the UK	Ventes au Royaume Uni Umsätze innerhalb des Vereinigten Königreichs	£663.2 m	+ 19.0%
*Exports from the UK	Ventes exportées du Royaume Uni Exporte aus dem Vereinigten Königreich	£ 36.9 m	+ 25.5%
*Sales by overseas subsidiaries	Ventes des filiales étrangères Umsätze der ausländischen Tochtergesellschaften	£ 44.0 m	+ 33.9%
Profit before taxation	Bénéfice avant impôt Gewinn vor Ertragsteuern	£ 91.1 m	+ 26.3%
Profit after taxation attributable to shareholders	Bénéfice après impôt revenant aux actionnaires Anteil des Gewinns nach Ertragsteuern, der auf die Aktionäre entfällt	£ 42.4 m	
Earnings per share	Bénéfice par action Gewinn pro Aktie	11.3 p	
Dividends to shareholders	Dividende proposé Dividendenvorschlag	£ 9.7 m	
Retained in the business	Report à nouveau Gewinnvortrag	£ 32.7 m	
Capital expenditure during the year	Investissements de l'année Investitionen während des Jahres	£ 37.0 m	

*Includes sales within the group totalling £9.1 m.

Value Added Statement for the year ended 31st March 1977

	£m	1977 £m	%	£m	1976 £m	%
Sales and other income		742.8			616.8	
Less cost of materials and services purchased		495.4			408.2	
Value added		<u>247.4</u>			<u>208.6</u>	
Shared as follows:						
Employees						
Wages, salaries, profit earning bonus and pension fund contributions		145.0	58.6		126.1	60.9
Governments						
Taxation on profits		47.9	19.3		35.9	17.2
Reinvested in the business						
Depreciation	10.5			8.7		
Profit retained	32.7	43.2	17.5	27.0	35.7	17.1
Providers of capital						
Interest on borrowing	.8			.8		
Minorities share of profit	.8			.6		
Dividends to shareholders	9.7	11.3	4.6	8.7	10.1	4.8
		<u>247.4</u>	<u>100.0</u>		<u>208.6</u>	<u>100.0</u>

Statement by the Chairman Dr. G.I. Hobday

In the year 1976-77 it gradually appeared that the worst of the recession of the two previous years had passed and that the industrialised countries of the world were set on a modest recovery while giving priority to bringing down the rates of inflation. Because inflation in the

United Kingdom was, and still is, high by world standards the Government's measures have not allowed the economy to expand. Confidence has ebbed and flowed, prices are moving upwards and the outlook is still quite unsettled. Against this background our performance may be seen

as reasonably satisfactory. Sales at home and abroad have increased by 20.2%, about one third of which represents a real growth in volume.

Profit and Taxation

Group profit before taxation increased by 26.3% to £91.1m, after providing for a second year an amount of £8.8m for our employees' Pension Fund. The increase was achieved in competitive

and largely static markets, and in the U.K. in particular we have again operated at price and profit levels much below those which would have been permissible under the Price Code.

The profit after taxation attributable to shareholders is £42.4m, equivalent to 11.9 pence per share compared with 10.0 pence per share last year.

Dividends

An interim dividend of 9745p per share was paid in January. Because of uncertainty about the basic rate of income tax for 1977-78 we declared in May a second interim dividend of 1.708 1p per share which will be paid in July. If the rate of tax is reduced below 35% then the Directors will declare the payment of a third

interim dividend and we have provided in these accounts for such a dividend at the rate of 1.0525p per share on the assumption of a tax rate of 33%. It is the intention of the Directors to pay the maximum permissible dividends under the present Government controls. In order to demonstrate the erosive effects of

inflation on profits we have continued our practice of recent years by showing results adjusted for the effects of inflation as a supplementary statement on pages 29 and 30. If a standard practice for Current Cost Accounting (CCA) is accepted we will change to that basis.

JESSE BOOT



1850 - 1931

10

Centenary Year

This year we celebrate our centenary, since it was in 1877 that Jesse Boot took sole responsibility for the small herbalist shop started by his father and began to develop his own ideas of marketing which proved to be so enormously successful. It was upon the chain of chemist shops which he established that he devoted most of his energies and which owes most to his genius.

Jesse soon made the dispensing service the cornerstone of his business: it remains so today in the 1,247 branches of Boots The Chemists.

He aimed to serve all sections of the community through offering the public the widest possible selection of merchandise at competitive prices

and to make shopping easier by offering these goods in large and well laid out shops: these are still our aims.

He believed whole-heartedly in providing the best possible article at the lowest possible price—to the point that if he could not find an article of the right quality he would endeavour to manufacture it himself to his own high standards: so almost from the beginning he gave his customers the extra choice of familiar advertised products, or Boots own brands—the choice Boots offers its customers today.

Approximately a third of the lines we sell bear the Boots name and account for a slightly larger proportion of our sales.

The larger Boots stores of today also owe much to the influence of Jesse's wife Florence, a stationer's daughter, whom he married in 1886. It was she who encouraged him to introduce new goods into the traditional chemist range—Fashion and Beauty, Photography and Stationery, Gifts for the home and indeed many more of the goods found in the modern Boots Department Stores.

Our business, continuing to expand along the successful lines they established, is a living proof of the success of their work and we propose to commemorate the first hundred years of Boots in various appropriate ways.

Retail Operations

Pressure on retailing profitability has continued throughout 1976-77 with falling gross margins further eroded by rising expenses. Inevitably this has led to even tighter constraints on the number of full-time staff in our shops. We have always been concerned that we should provide as good a personal service as is possible, particularly in those departments of our business where it is most required by our customers. Much of the merchandise which we sell is however of a type that does not require personal advice and the customer needs only to be able to locate it quickly and to complete the purchase with the minimum of delay. We are making a determined effort to strike the right balance between these two types of service.

Whilst we recognise the political need for some form of price control in the Government's continuing counter inflation measures, we are concerned that the imprecise new powers of price investigation now proposed in the Price Commission Bill could lead to increasing doubts about the viability of new investment proposals and further impair employment prospects in the retail distribution industry.

Boots The Chemists

Counter sales increased by 18%, rather less than two-thirds of which is accounted for by price inflation. This means that in a difficult year we have achieved a substantial element of real growth in sales, partly from extra selling space in new and enlarged shops and partly from the enhanced selection, presentation and value of our merchandise.

Dispensing for the National Health Service remained at the same level as the previous year despite high figures in 1976 because of the winter epidemic and despite the fact that at the end of the year we had 26 fewer shops. It is inevitable that some small shops are closed as leases expire or where it becomes impossible to maintain a very small branch to an acceptable standard.

We believe that the retail pharmacist plays an essential part in the health care of the community and that his contribution to the N.H.S. extends beyond that of simply dispensing prescriptions. We are convinced that the present pattern of widely spread chemists shops in locations convenient to the public is most suitable for the people of this country and that any proposal to centralise dispensing into fewer locations would cause inconvenience to the public and would not be in their best interests. Our own policy is to have a branch of Boots The Chemists in every place where there is sufficient business to support a viable operation.

Notwithstanding the present economic climate our capital investment in new and modernised shops has been maintained at a high level and amounted to £23.1m in the year under review. This has enabled an addition of 286,000 sq. ft. to our total net sales area, which now stands at 4 million sq. ft. It is worthy of note that we have increased our sales area by one-third within the last four years. This year 34 new shops have been opened and a number of others extended. Allowing for the small, inadequate and unprofitable shops that have been closed, we ended the year with 1,247 branches. Our new store in Eldon Square, Newcastle, is now our largest with a sales area of over 42,000 sq. ft. Other large stores were opened in Falkirk, Bedford, Rochdale, Mansfield, Portsmouth, Bury St. Edmunds, Horsham, St. Helens, Great Yarmouth, Burnley, Irvine and Pontypridd and extensions were completed to our stores at Exeter, Hanley, Sutton Coldfield and Lewisham.

In the current financial year we shall maintain a shop development programme of a similar size with a balance of new large stores and replacement of our smaller chemists shops. The new store in Leeds will supplant Eldon Square, Newcastle, as our largest store and further large new branches will be opened in Glasgow, Blackpool, Ilford, Hounslow, Folkestone,

Orpington, Stirling and Wellingborough. Extensions will be completed at Barnsley, Huddersfield and Aberdeen.

It is perhaps not widely known that the majority of the shopfittings in our shops are made in our own Shopfitting Factory at Nottingham. This has now become too small to cater for our retail expansion and we have recently acquired a large modern factory at Eastwood to which all shopfitting production will be transferred during the year.

Not surprisingly the continued growth of sales volume through our shops has placed increased demands on our warehousing and distribution operations. Nevertheless, such demands have been met so far by marked improvements in efficiency and by the use of improved techniques and staff training. Major new warehouse facilities are being planned.

Timothy Whites

Ox's Houseware chain has had a difficult year, with a sales increase of 6½%. There has, however, been a marked improvement in both margins and profitability.

Our various experiments to specialise with a narrower inventory devoted to kitchenware, cookware and tableware, have been carried out against the background of a depressed national economy, bringing with it little or no increase in disposable incomes. However, sales have increased in line with inflation in the shops that were trading normally throughout the year. We believe that after we have had the results of a further year's trading in the experimental shops we shall be in a better position to make decisions about the development of the chain.

Sephora, Paris

We reported last year our proposed acquisition of a majority shareholding in the French company B.H.Y.S. which operated a shop in Paris trading under the name of Sephora. This transaction has been completed and considerable changes have already been effected

Statement by the Chairman

within the shop. Although still in its early days we are well pleased with sales results despite the present gloomy retail outlook in Paris generally. Determined efforts are now being made to supplement this development with further shops on the same pattern.

Tamblyns Drug Stores, Canada
For many years we have considered the

possibility of an extension of our retail operations into either the U.S.A. or Canada but have not until now found the right vehicle with which to do this. We propose now to acquire the Tamblyn chain of Drug Stores in Eastern Canada for a purchase consideration of about £4m. This company was started in 1904 by Gordon Tamblyn, a pharmacist and a man of high standards who quickly built a good reputation for

his chain of chemists shops. Granted a Dominion Charter in 1928 it was taken over by the Weston Group in 1970 and consists of 93 stores from 1,200 to 12,000 sq. ft. in size, all located in Ontario. It is our belief that this chain can be remodelled to mirror the standards maintained by Boots The Chemists here in the U.K. and will be a springboard for further expansion both in Canada and the U.S.A.

Manufacture

The depressed economy has resulted in a second year during which some of our factories have operated below full capacity. Although the output in monetary terms was 18.5% up at £128.9m at manufacturing prices, the volume of production in the Pharmaceutical Department was static and a reduced world herbicide demand marred an otherwise busy and expanding year in the Chemical Department.

In the past six years the value of production at cost from the Chemical Department has increased nearly four times. Products discovered and developed by our Research Department are playing a major role in this steady expansion and now account for over a half of the total cost value compared with under a third of 1970-71. As a consequence the return on capital has improved markedly. The new plant for Brufen (Phase V) is now on stream. In order to supply anticipated demand for our miticide, Amitraz, we have increased capacity in the existing plant and a new 1,600 ton per annum plant is planned.

During the year new laboratories were completed at Beeston for Agricultural Formulation and in Nottingham for Analytical

Development; also new leased warehouse accommodation for agrochemicals was fitted out at Sandiacre.

The very diverse nature of our Pharmaceutical Production with some 2,000 different lines using 16,000 items of raw materials and other components requires a very wide range of scientific, technological and managerial skills. New lines are introduced at the rate of one every working day and some 100 projects for the improvement of equipment, technology or working methods are always in progress. An industrial suggestion scheme, in operation for many years, this year awarded its highest prize yet of £1,000.

During the year a number of improvements have been made concerning soap production, the manufacture of toiletries, packing feeding bottle steriliser, wrapping medicated confectionery, producing halibut liver oil capsules, pasteurising syrups and supplying very high quality distilled water for Polyfusors.

The Chemical and Pharmaceutical, Engineering, Printing and Purchasing Departments, all of which make up our Production Department,

employ some 4,500 people in the U.K. This figure has remained constant throughout the year and staff turnover has been very small. Much work is being done to develop further the present good staff relationships by improving the means of communication so as to make work more interesting and more meaningful in the belief that participation starts on the shop or office floor.

Technochemie, West Germany

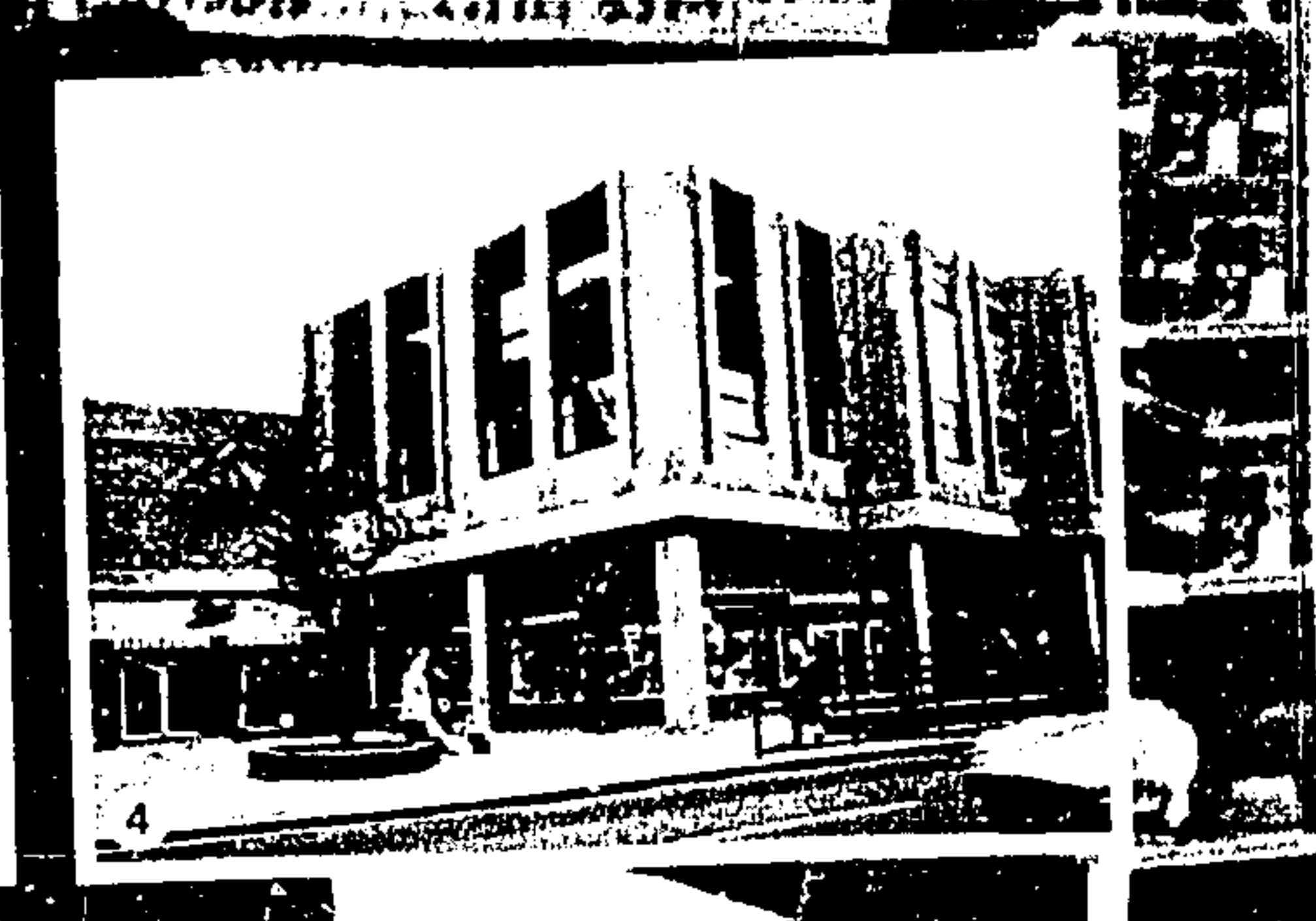
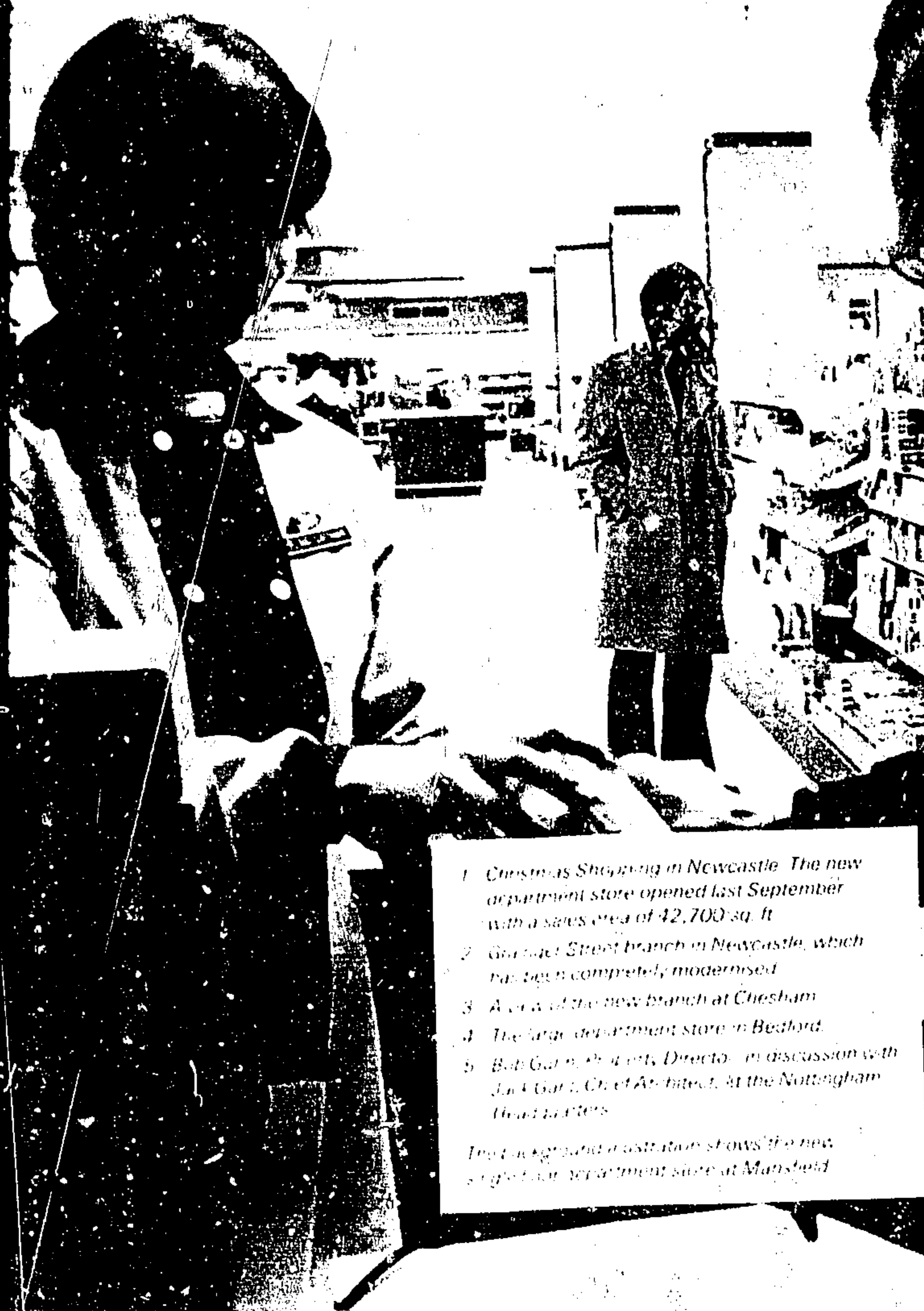
One of our corporate objectives has been to establish a chemical manufacturing base in Europe to add to our pharmaceutical manufacturing facilities in the Community and we have now reached agreement to acquire a 70% holding in Technochemie GmbH of Dossenheim near Heidelberg, West Germany, at a cost of £3.3m. Technochemie is a small but highly technical manufacturer of speciality chemicals. The majority control we have acquired will not only provide us with overseas chemical manufacturing capacity in the EEC but will add to our overall expertise in this field.

International Marketing

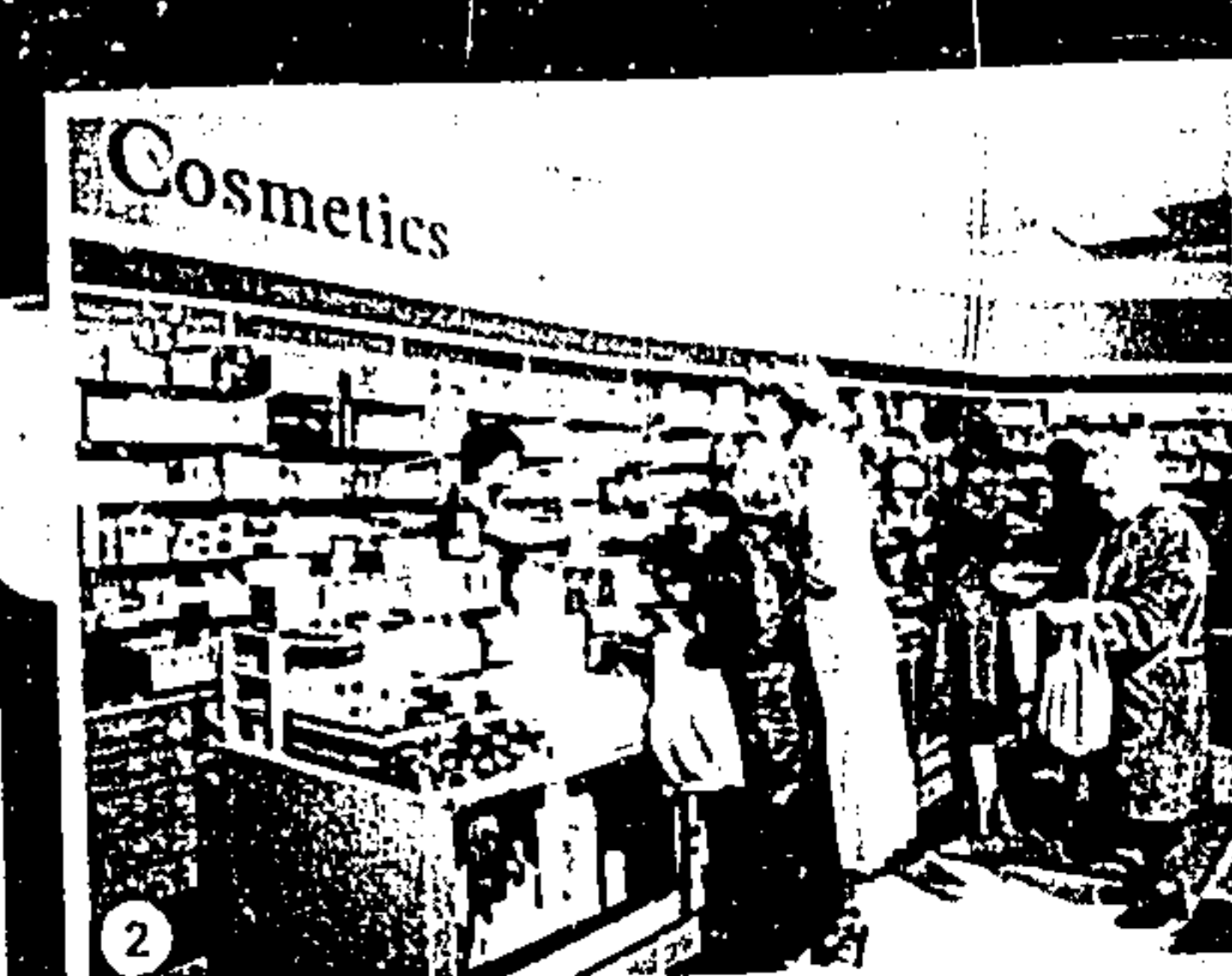
Pharmaceutical sales in the United Kingdom reached a record level although we have continued to experience severe competition,

particularly against our anti-rheumatic product, Brufen. Because of the excellent safety record of Brufen we have introduced a higher strength

(400 mg) tablet — Brufen 400 — which has enabled physicians to use higher dosage schedules in dealing with patients with difficult



1 Christmas Shopping in Newcastle. The new department store opened last September with a sales area of 42,700 sq. ft.
2 Glasgow Street branch in Newcastle, which has been completely modernised.
3 A view of the new branch at Chesham.
4 The large department store in Bedford.
5 Bob Garn, Chief Director, in discussion with Jack Gurn, Chief Architect, at the Nottingham Headquarters.
Inset: A sign and a visitation shows the new department store at Mansfield.



Statement by the Chairman

forms of rheumatic disease. Sales of Brufen continue to grow in its eighth year of marketing and it is the brand leader in certain major markets of the world, e.g. the United States, Japan and Eastern Europe. Brufen is now believed to be the biggest-selling Western-produced pharmaceutical in Eastern Europe. Sales in the U.S.S.R. have responded well to recent efforts to make doctors aware of the benefits of Brufen through medical congresses and symposia. In order to increase the impetus of our Brufen business in Eastern Europe we concluded in March 1977 an agreement to set up a joint venture company in Yugoslavia in co-operation with Galenika Pharmaceutical and Chemical Industry of Belgrade, a company with which we have had a close association for several years. Boots will hold 49% of the equity of this new company (the maximum allowed under Yugoslav law). The initial purpose of the new company will be to manufacture Brufen locally for sale to Eastern European countries as well as in Yugoslavia itself. We consider the formation of Boots Galenika as a major milestone for our future development in this part of the world. In the United States our licensee, The Upjohn Company, has had a record year for sales of Motrin (Brufen) and we have benefited by the continued growth of raw material sales to and royalties from the United States. We shall shortly commence deliveries to Upjohn against a very large raw supplies contract — one of the largest ever negotiated by the Company.

During the year we introduced a single daily dosage tablet of Prothiaden, our treatment for anxiety and depression. This is known as Prothiaden '75' and should prove of great assistance to doctors dealing with patients suffering from these difficult conditions. This product is now being introduced into markets outside the U.K. to enhance our international business.

Our United Kingdom consumer product marketing company, Crookes Anestan Ltd.,

enjoyed an excellent year due mainly to the success of the low calorie sweeteners, Sweetex and Hermesetas. Together these products now account for more than 60% of the total United Kingdom table top sweetener sales.

Our Contracts and Chemical group achieved one of its best growth rates in recent years with saccharin and saccharin by-products featuring prominently in its success.

Pharmaceutical exports have shown good growth and in Europe we have had particularly good exports to Scandinavia and Germany. Despite the difficulties in the Lebanon, which resulted in the transfer of our sales office from Beirut to Amman, Jordan, our export sales to the Near East have made significant progress — in particular exports to Iran, Turkey, Egypt and Libya. Our exports to Africa were of the order of £3m and in spite of the many difficulties for trading in that continent we regard it as an important area for future growth.

Our overseas subsidiaries have had a very good year with sales of £44m, an increase of 33.9%, whilst pre-tax profits at £9.5m showed an increase of 56%. This very substantial growth was achieved in the face of increasing price controls on pharmaceuticals throughout the world.

Particularly encouraging results came from:-

1. Australia where sales have more than doubled in three years.
2. Nigeria with a sales increase of 33% despite severe price controls. Our Nigerian company has now concluded negotiations for a 14 acre site on which we intend to build a new pharmaceutical factory.
3. East Africa with a 22% increase in sales despite a deteriorating position between Tanzania and Kenya, and the virtual disappearance of our market in Uganda.
4. India where we have now commenced construction of a new chemical plant designed to manufacture Brufen raw

material. The site of the plant is at Ahmédnagar, some 200 kilometres from Bombay.

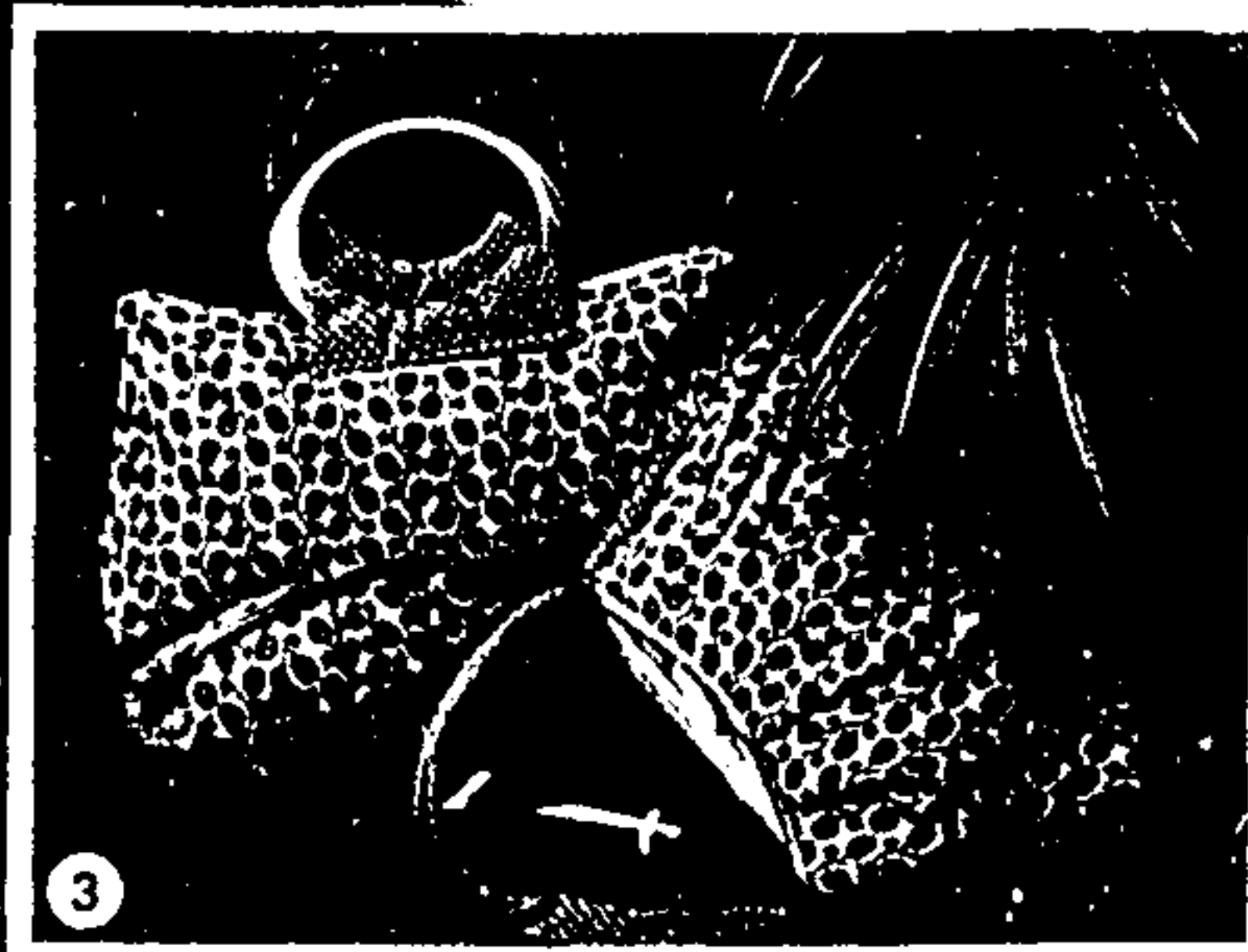
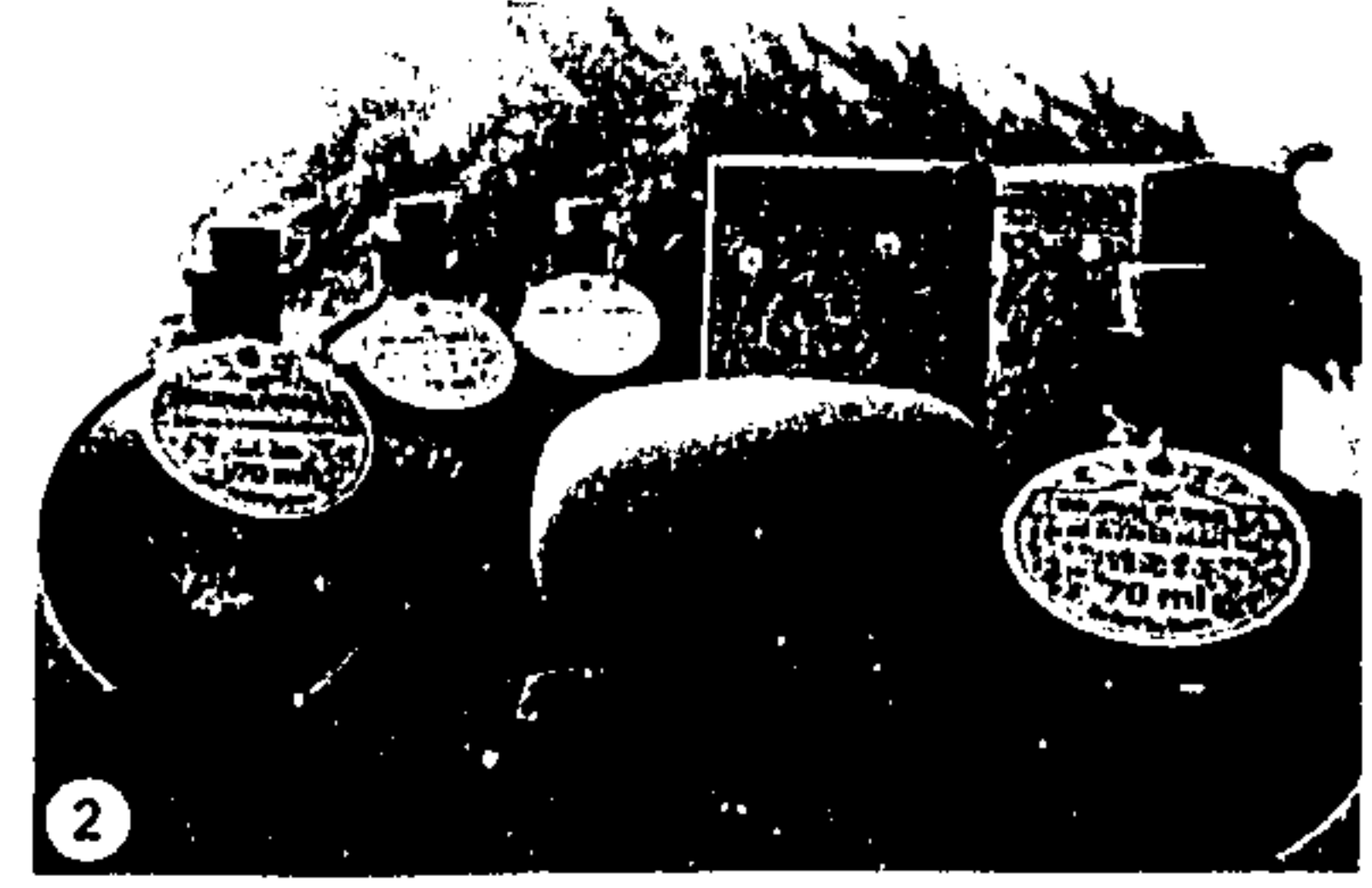
Our new companies in Belgium and Holland had their first full trading year and are making very significant progress.

During the last year our Agrochemical business overseas made good progress and in particular our new insecticides, Mitac and Taktic, exceeded our forecasts. Mitac is now of major importance for the control of mites on fruit in Japan, Western Europe and South America and it has recently been introduced as an insecticide on cotton in Turkey, Central and South America. Taktic has achieved a dominant share of the cattle tick market in Australia and sales are expanding in Africa and South America.

In the United Kingdom Boots Farm Sales has shown a creditable performance, bearing in mind the drought of last summer followed by the wet autumn and winter. With the need to produce more food from our own resources the efficient use of crop protection and animal health products is of increasing importance to the British farmer. We believe that Boots Farm Sales is uniquely placed to serve the farmer by offering him a comprehensive range of products, application machinery, technical advice and a fast and efficient on-farm delivery service. Our programme for the rationalisation of Boots Farm Sales Depots is continuing. Four new depots were completed during the year and a further six are planned.

Rucker Pharmacal, U.S.A.

A prime corporate objective in the continued expansion of our research based manufacturing and marketing operations has for long been the establishment of a subsidiary company in the United States, the largest and most important pharmaceutical and agrochemical market in the world. Starting a company from scratch in this market is we believe both too slow and too expensive and much work has therefore gone



1. A selection of Seventeen cosmetics in the re-designed packs.
2. Additions to the N°7 'An Original Formula' range.
3. Co-ordinated collection of cosmetic holdalls.
4. New for men—a digital watch and rechargeable shaver.
5. More products from Babyboots for the under-lives.



Statement by the Chairman

into the search for a suitable company for acquisition. I am glad to say that we have now found such a company; we have reached agreement with the Board of Rucker Pharmacal Company Inc. of Shreveport, Louisiana to acquire the whole of that company's stock for the sum of £14.5m subject of course to the acceptance of our offer by the stockholders at an Extraordinary

General Meeting which has yet to be held. Their Board is recommending acceptance of our offer. Rucker is a small but efficient and successful pharmaceutical company manufacturing and marketing prescription products mainly in the southern states of the U.S.A. In the year ending 30th June 1976 its sales were \$8.3m with net profits after tax of \$1.5m, increases of 18% and

30% respectively over the previous year. We believe that Rucker is readily capable of being expanded into a national manufacturing and marketing company in the United States and that, with its highly efficient sales and marketing capabilities, it will prove to be an excellent vehicle for our own research-based pharmaceuticals.

Staff

The growth of our business last year led to the number of staff employed being greater at the end of the year than at the beginning; the reverse of the national trend. Most of the additional staff were in our shops where the move towards part-time employment continues. Our staff relations during the year have been good and the rate of staff turnover fell somewhat.

Without questioning the necessity for the Government's counter inflation measures in the national interest, these measures, following previous periods of restraint, are subjecting staff loyalty to real strain. There is frustration and some disillusionment amongst staff, especially those with particular skills and those who carry the burden of responsibility. It has seemed to us especially necessary in these circumstances to review our salary structure and extend our job evaluation. We are working with consultants in this considerable task, which on the Industrial side alone covers 2,000 jobs from clerical grades up to senior management. We are now taking up the extension of the scheme to the Retail Division of the Company and the intention is to implement the results as soon as Government policy permits.

During the year much effort has gone into furthering the involvement and participation of staff in the activities of the Company, most particularly in building up the Staff Council structure which already comprises more than 200 separate Staff Councils and their 2,000 elected Staff Councillors.

The Bullock Committee on 'Industrial Democracy' published its report in January 1977. The Company has expressed its views by means of a statement issued to managers and staff representatives. While accepting the desirability of greater involvement and participation by the staff we believe that consultation must start at the place of work and evolve to meet the requirements of individual organisations. We have developed the process with our Staff Council organisation, which involves both union and non-union staff, and we believe that this and our trade union consultation and negotiating arrangements give us a sound basis on which to develop. On the Retail side an agreement has been signed with the Union of Shop, Distributive and Allied Workers (USDAW) giving the right of representation in certain of our shops.

Pensions are a matter that concern all of us greatly these days. The changes which are to be made to the State pension scheme in 1978 (the Castle Scheme) have had to be explained to our staff since they need to judge how desirable this scheme is as an alternative to the Boots' scheme. During the present year, in consultation with the Trade Unions and our Staff Councils, the decision will have to be taken whether the Company shall contract out of the Castle Scheme.

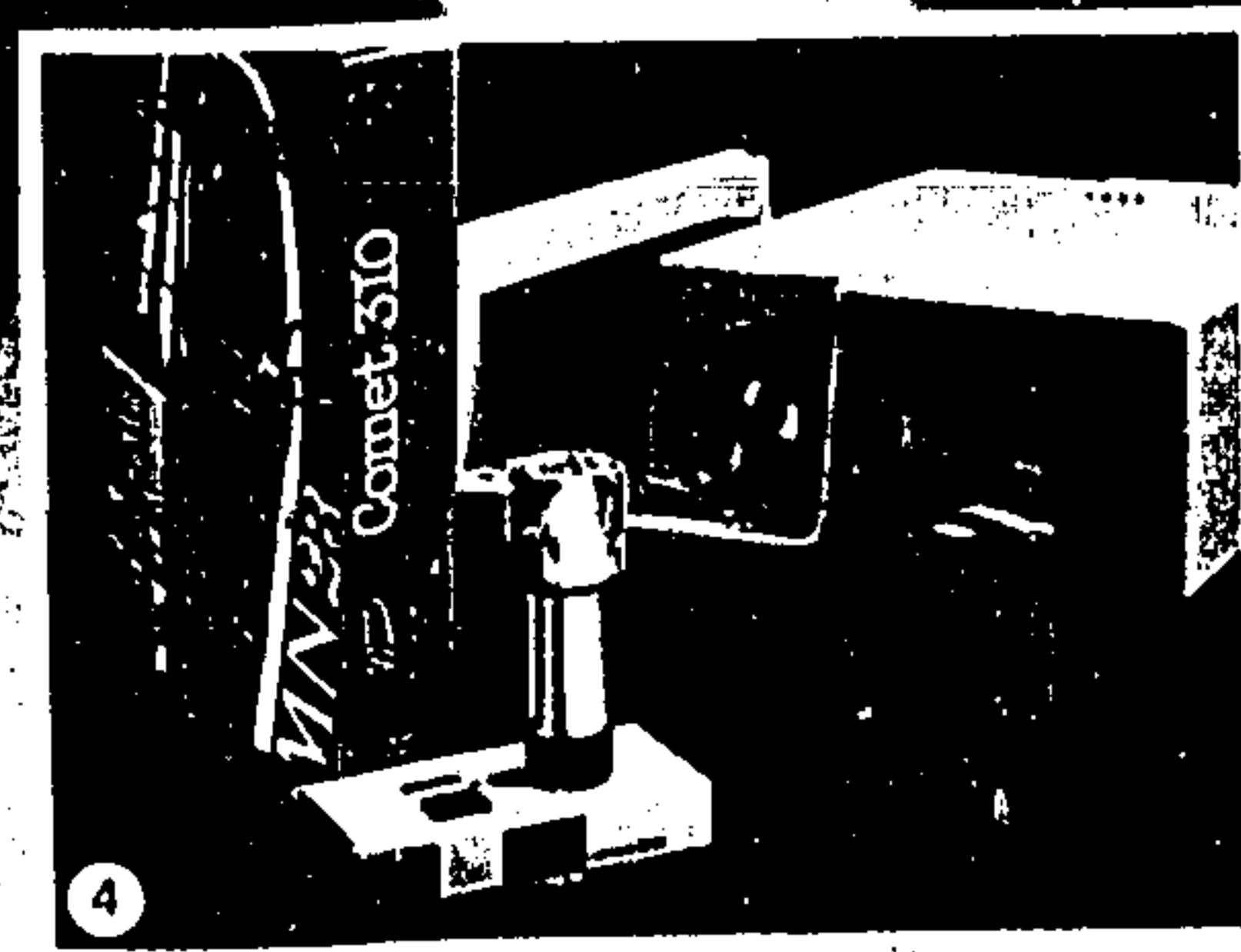
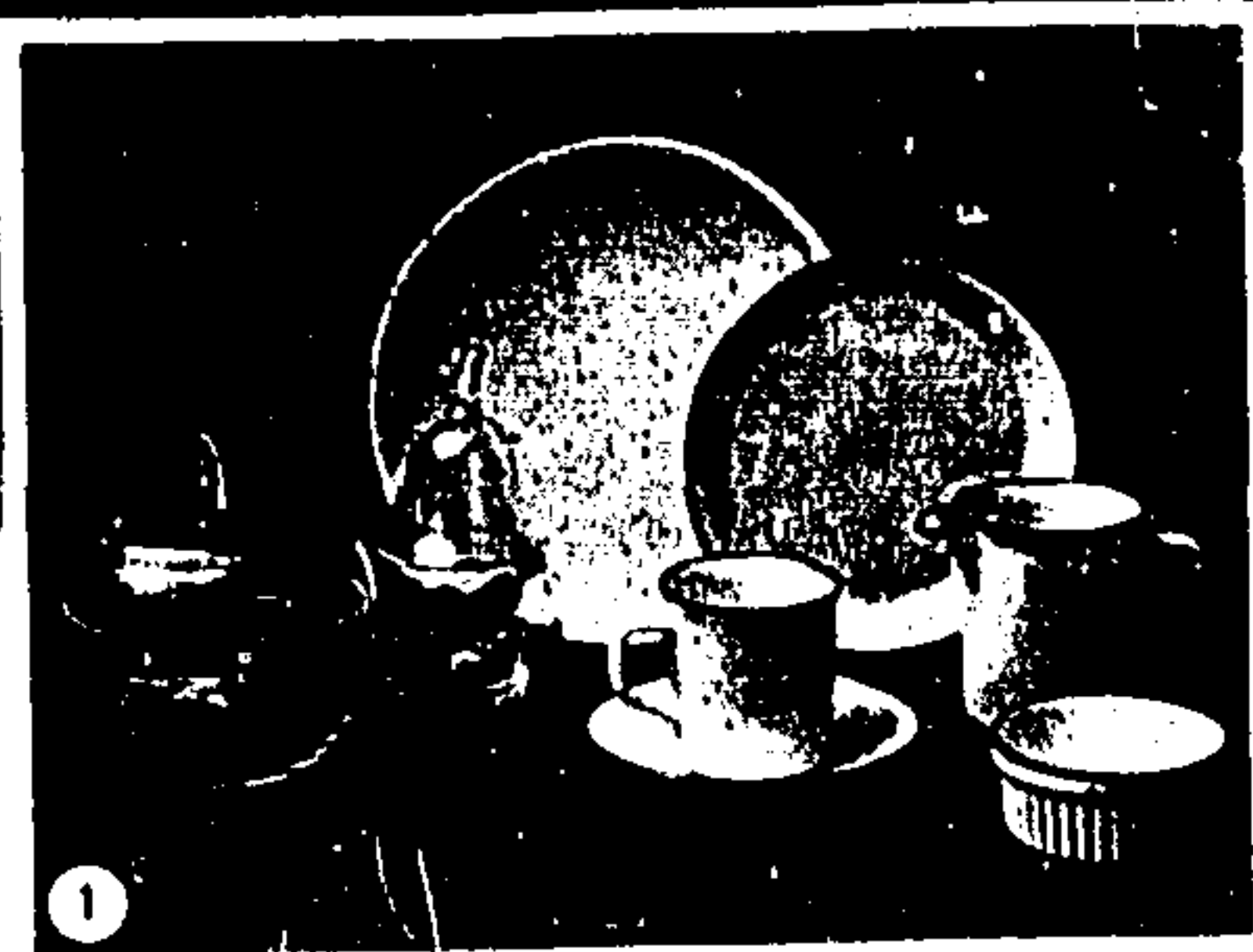
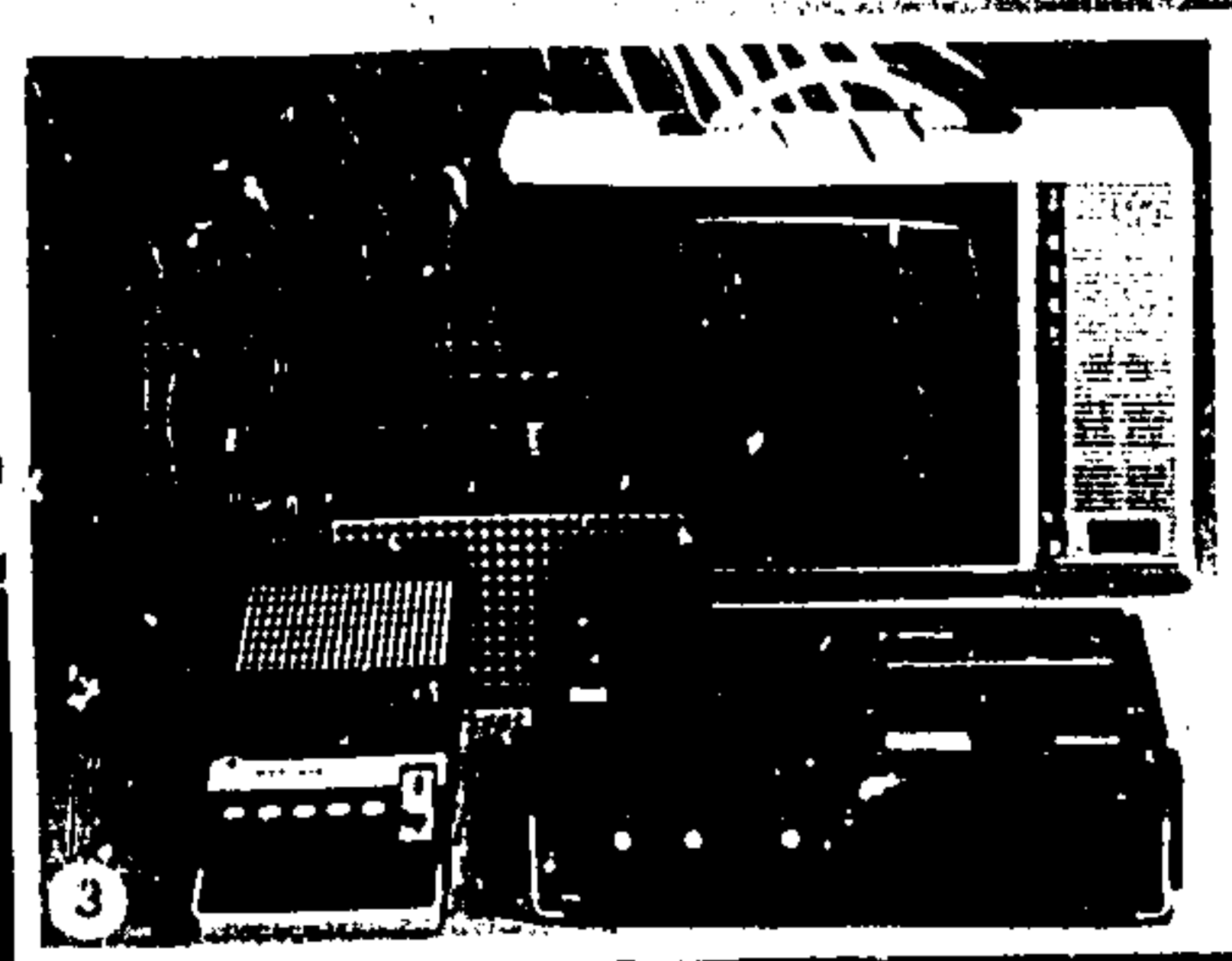
Again this year we shall issue a special Report to the Staff. We did this for the first time last year and it was well received. The greater understanding of our business at all levels throughout the organisation is an important element in the increasing involvement of our staff, on whom our present and future progress depends. The Directors wish to express their sincere thanks to them all for their efforts during the past year.

Management

For the past seven years I have served the Company as Chief Executive and now having passed the normal retirement age for executives it has been agreed that I should stand down from

that position and that some consequent re-organisation of our top management structure should take place. Our Company has for many years been engaged

in two main activities — the operation of our retail stores and the manufacture and marketing of a wide range of products throughout the world. In recent years these two activities have



- 1. Plates and glassware from the expanding Houseware range.
- 2. Attractive containers and table-top accessories for the kitchen.
- 3. A selection of audio equipment.
- 4. Add-ons to the range of instant photography.
- 5. Another Glass Brand product and part of the Best Consumer Award 1971.



Statement by the Chairman

become increasingly more specialised and less interdependent and it is now decided that we should re-organise them for management purposes as separate divisions of The Boots Company bearing the names Retail Division and Industrial Division respectively. The existing main Board of Directors will in future be called the Group Board since it continues to be responsible overall for our Company group. Each Division will be represented on the Group Board by an Executive Director in charge of all operations within the Division.

As from May 1st 1977 three of my executive colleagues on the Board will have their responsibilities changed as follows:

Mr. D. E. M. Appleby will become Group Managing Director of The Boots Company. Mr. A. D. Spencer will be the Managing Director of Boots The Chemists, with its associated retail companies, and will represent the Retail Division on the Group Board. Dr. P. T. Main will take up the position of Chief Executive Officer of the Industrial Division and will represent that Division on the Group Board.

I am sure that these changes are appropriate at this point in the development of our business and I am confident that, in their new positions, Mr. Appleby, Mr. Spencer and Dr. Main will make great contributions to the continuing success of our Company in the testing years which lie ahead.

At the wish of the Board I shall continue as Chairman. M

Prospects

Last year I said that it was possible to discern some brightening of the dark horizon but as the year progressed we saw that the economic clouds surrounding our country did not lift as we might have hoped. Also the recovery of the rest of the world did not proceed as was expected. So as we look ahead today the same problems still dominate the scene, inflation, unemployment, rising costs and reducing consumer spending. I think we have demonstrated by our performance over the years that we can beat the trend to some degree. In times of static or even reduced consumer spending at home we can show real volume increases in our retail sales, reflecting our reputation, our marketing policies and, of

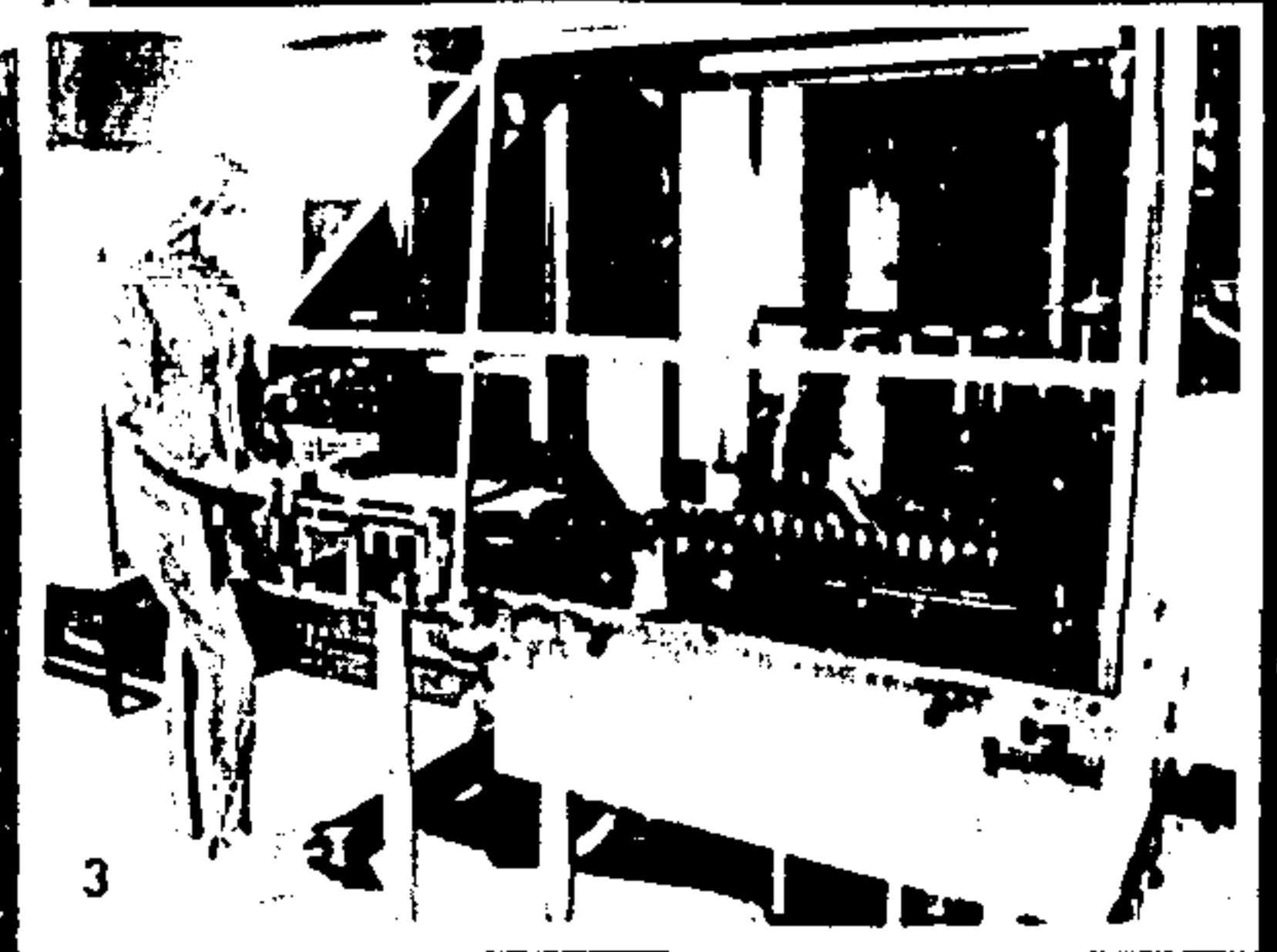
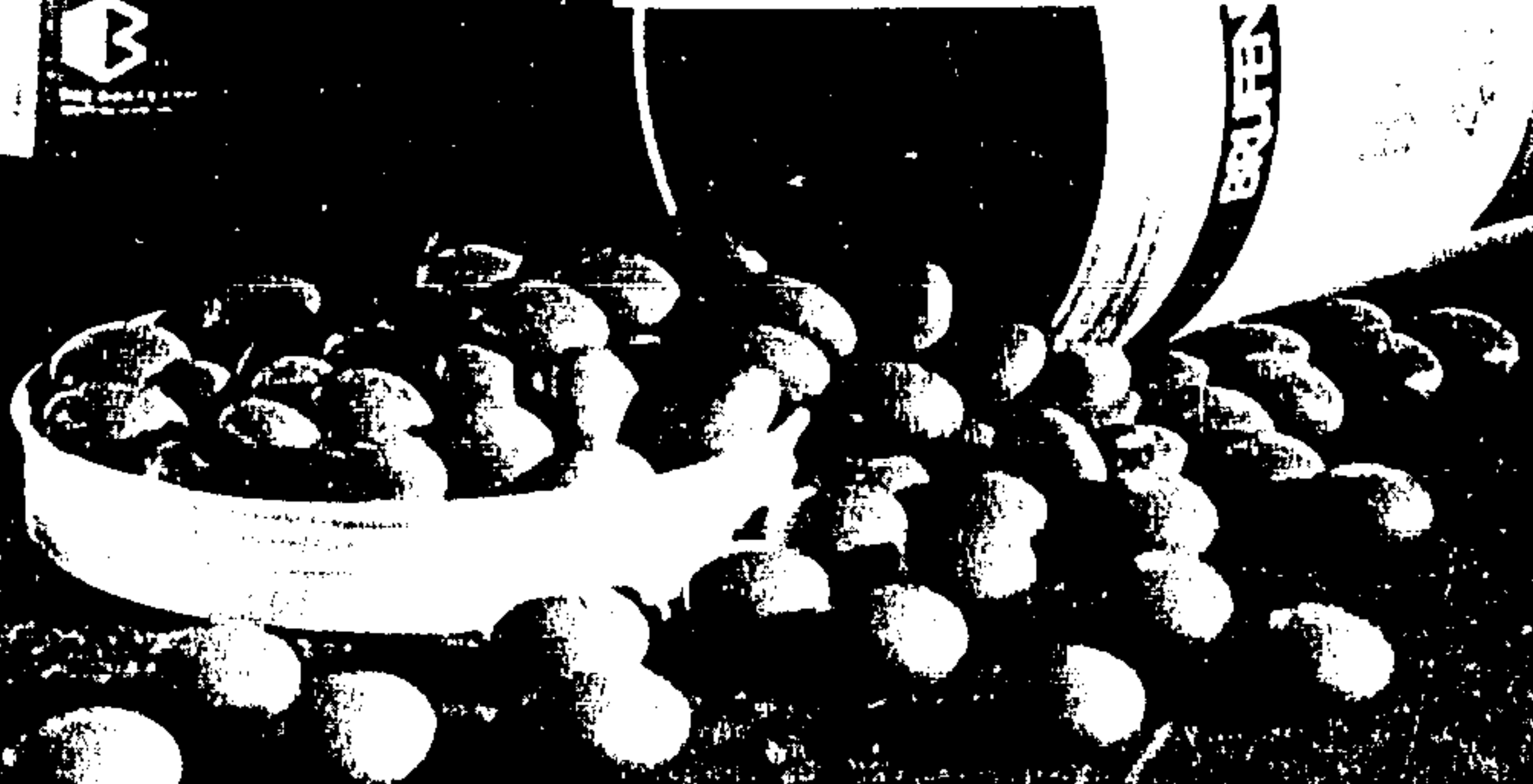
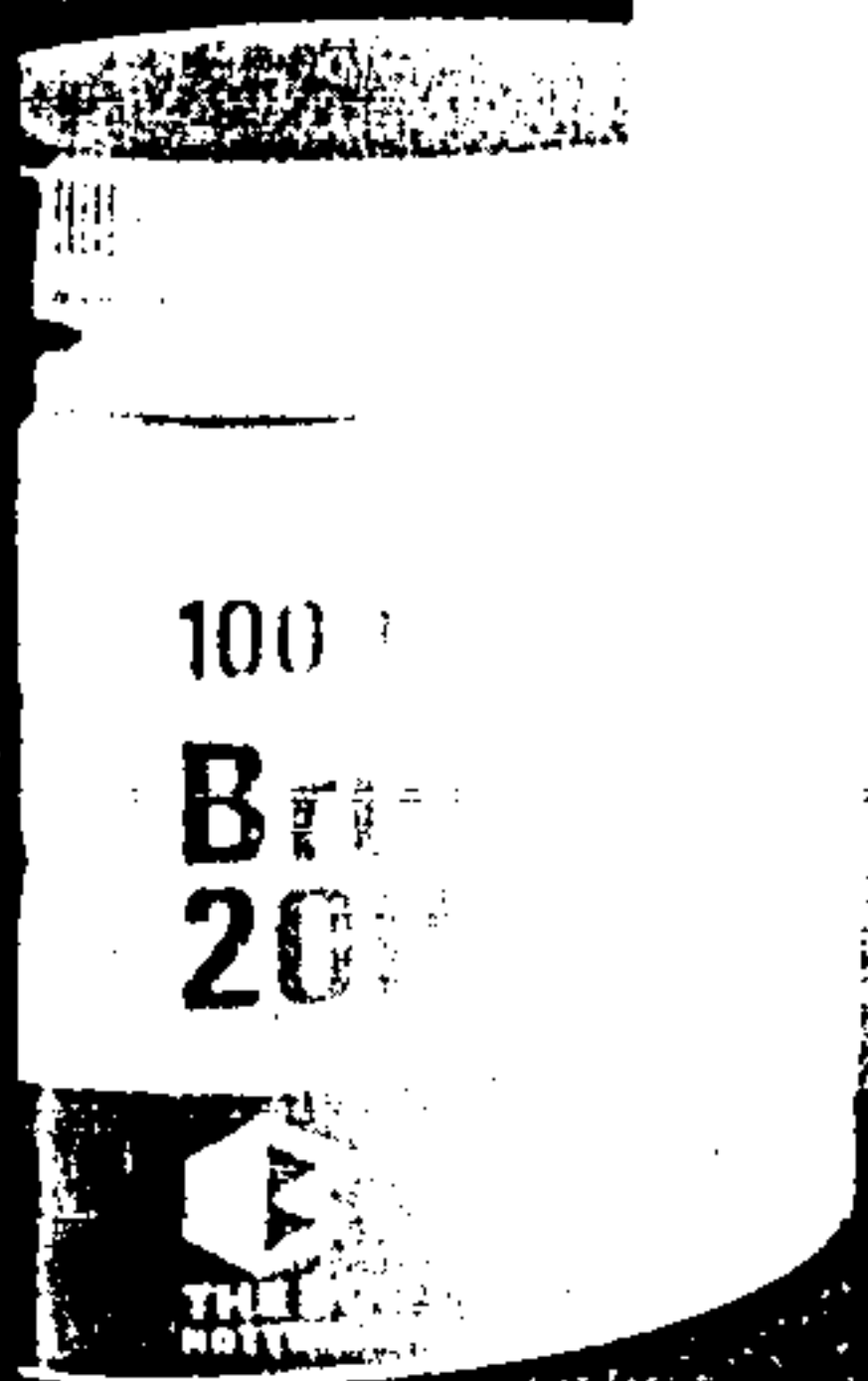
course, our capital investment. However it is equally important to note that we are directing our business increasingly more towards international objectives. While we are hopeful that our domestic economy will improve and believe that there is still a lot of scope for our retailing operations in this country, we take the view that we should build for the future on a broader international base so that a smaller proportion of our total business is subject to the strains and stresses of the U.K. economy. This change will continue steadily and prudently and not in any precipitate manner. Thus the three important developments which are described earlier in this statement, Tamblins in Canada,

Rucker in the U.S.A. and Technochemie in Germany, provide good bases for further development; they are big enough to be meaningful but yet relatively small in comparison with the rest of our business so as not to provide unacceptable risk.

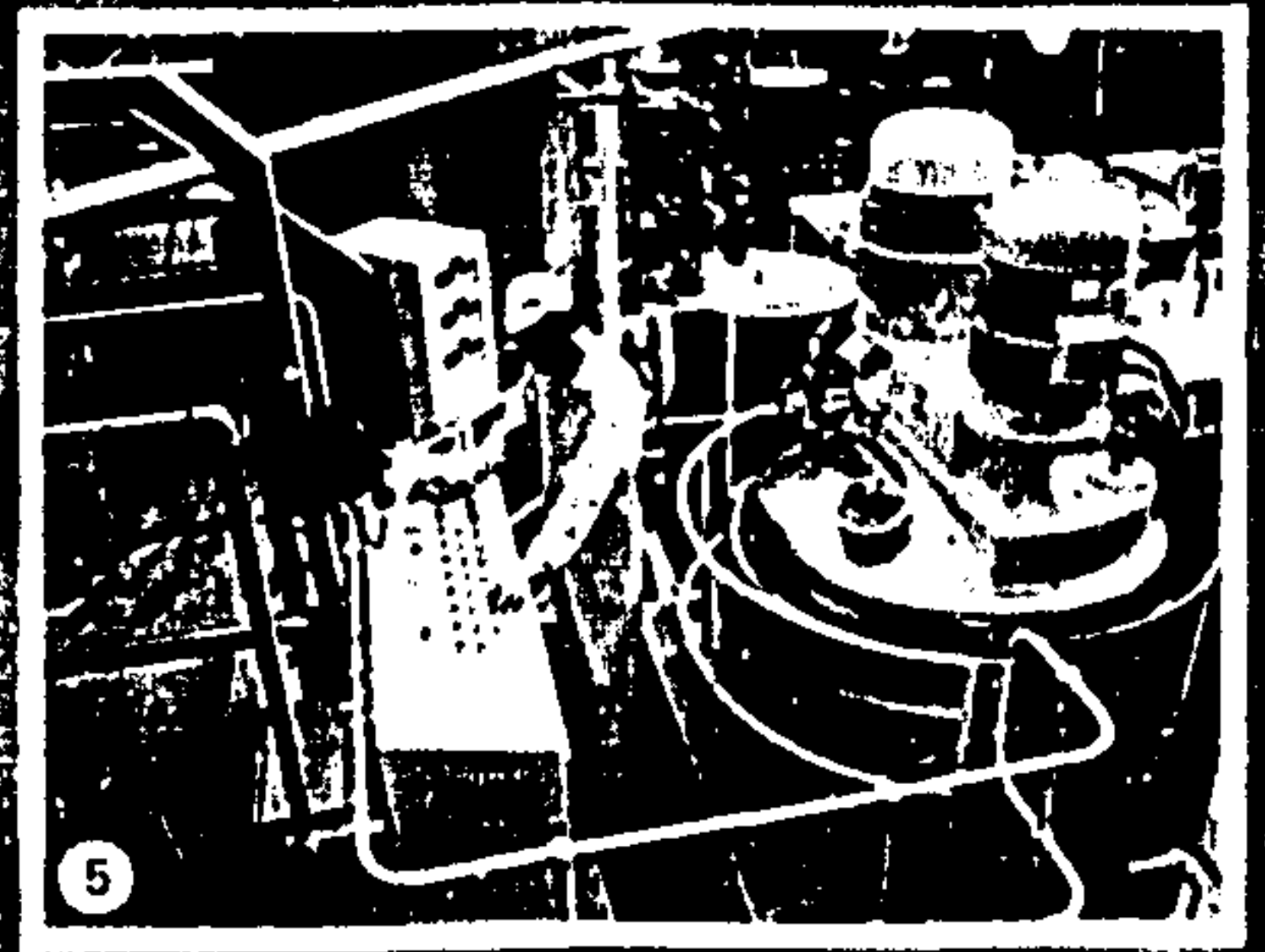
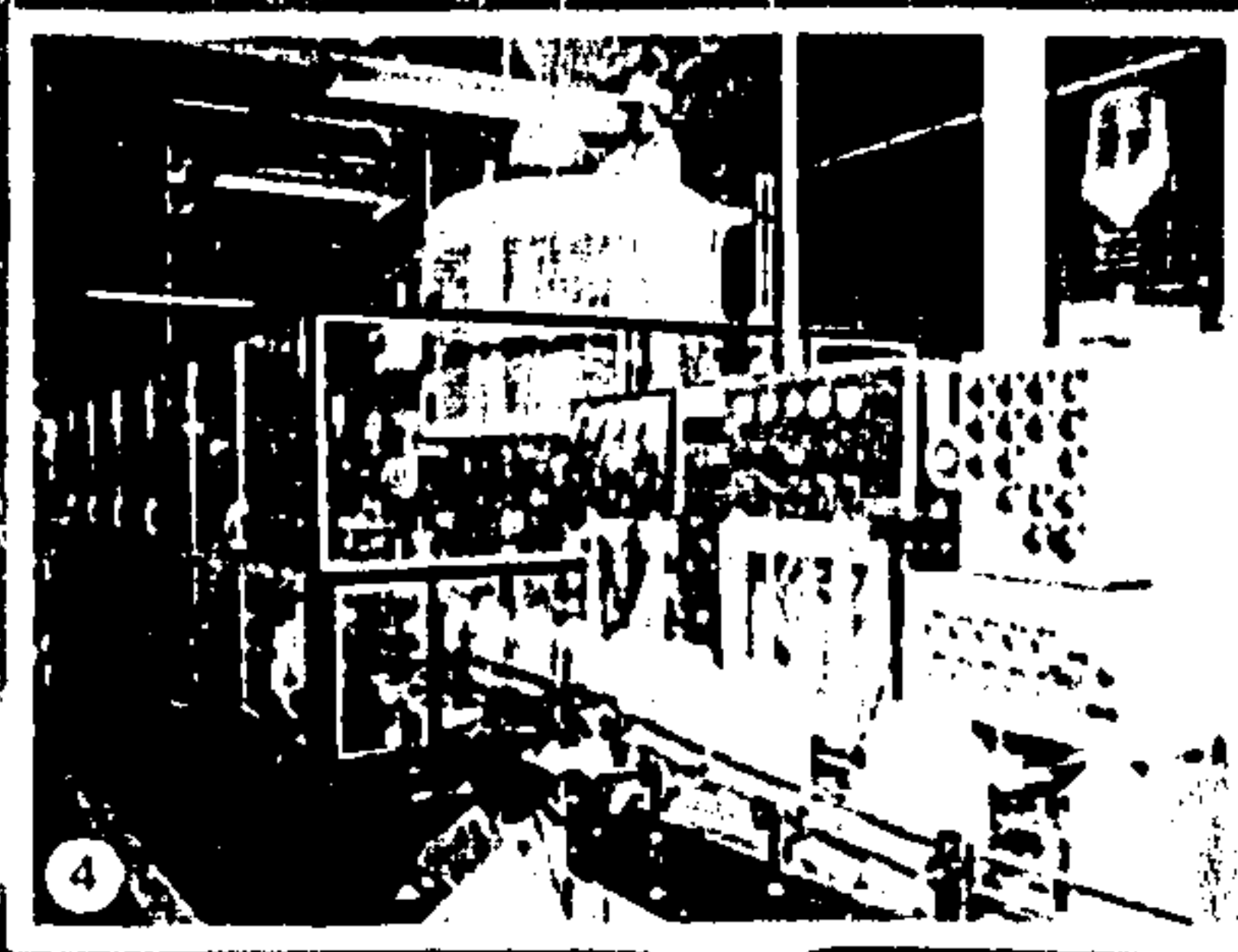
In this centenary year we are mindful of our heritage from the founder of our Company, Jesse Boot. The business has grown from that which he began and developed. Almost from the beginning it comprised retailing and manufacture and it is from these two bases that our success has come and will continue to be found.

200 ml

Brufen Suspension



1. A large-scale, low-cost factory in Mexico produces tablets.
2. The Control Room at Briston of the U.K. & Briston part - Briston from the production of many medicines for the world.
3. Briston is a part of the world.
4. Briston is a part of the world.
5. Briston is a part of the world.



Group Profit and Loss Account for the year ended 31st March 1977

	Notes	1977 £m	1976 £m
Sales (excluding VAT)		735.0	611.2
Profit before taxation	2	91.1	72.2
Taxation	3	47.9	35.9
Profit after taxation		43.2	36.3
Attributable to minority interests		.8	.6
Profit attributable to shareholders	4	42.4	35.7
Dividends			
Interim paid of .9745p per share		3.4	3.2
Second interim declared of 1.7081p per share (1976 final)		6.1	5.5
Provision for third interim of .0525p per share	4	.2	—
2.7351p per share			
Profit retained		32.7	27.0
Earnings per share	5	11.9p	10.0p

The notes on pages 23 to 28 form part of the accounts.

Sources and Applications of Funds for the year ended 31st March 1977

		1977		1976	
		£m	£m	£m	£m
Sources	Profit before taxation		91.1		72.2
	Depreciation		10.6		8.7
	Book value of fixed assets sold		2.3		2.3
	Pension provision		8.8		8.8
			<u>112.7</u>		<u>92.0</u>
	Funds from outside sources		—		—
			<u>112.7</u>		<u>92.0</u>
Applications	Capital expenditure		37.0		32.4
	Investments		.2		.8
	Working capital:				
	Increase in stocks	33.7		20.6	
	Increase in debtors	11.9		5.5	
	Increase in creditors	(17.1)		(17.2)	
			<u>28.5</u>		<u>8.9</u>
	Redemption of loan capital		.1		.2
	Payment to Boots Pension Fund		8.8		—
	Dividends paid		8.9		8.2
Taxation paid		33.3		24.6	
Other applications		.5		.2	
			<u>117.3</u>		<u>75.3</u>
Net cash and short term investments	At 31st March 1977	47.5		52.1	
	At 31st March 1976	52.1		35.4	
			<u>(4.6)</u>		<u>16.7</u>
			<u>112.7</u>		<u>92.0</u>

Balance Sheets 31st March 1977

		Notes	Group		Parent	
			1977 £m	1976 £m	1977 £m	1976 £m
Sources of capital	Shareholders' interests					
	Share capital	6	89.0	89.0	89.0	89.0
	Reserves	7	152.5	119.8	80.3	56.1
			<u>241.5</u>	<u>208.8</u>	<u>169.3</u>	<u>145.1</u>
	Loan capital	8	11.6	11.7	7.8	7.8
	Minority interests		1.9	1.2	—	—
	Deferred taxation	9	47.8	31.1	16.7	8.5
	Provision for pensions	2	8.8	8.8	8.8	8.8
			<u>311.6</u>	<u>261.6</u>	<u>202.6</u>	<u>170.2</u>
Employment of capital	Fixed assets	10	194.4	169.8	41.7	34.2
	Subsidiaries	11	—	—	99.1	83.8
	Investments	12	1.0	.8	1.0	.8
	Net current assets	13	116.2	91.0	60.8	51.4
			<u>311.6</u>	<u>261.6</u>	<u>202.6</u>	<u>170.2</u>

G. I. HOBDAY
D. E. M. APPLEBY | Directors

The notes on pages 23 to 28 form part of the accounts

Notes Relating to the Accounts

1. Accounting policies Consolidation

The group accounts are prepared under the historical cost convention adjusted by the revaluations of certain properties. The accounts combine the results of the company and its subsidiaries after eliminating inter-company profits and providing for minority interests in subsidiaries. The excess of cost of investments in subsidiaries over net assets acquired has been written off. Subsidiary companies are those in which the company holds, either directly or through another subsidiary, more than fifty per cent of the equity share capital. The accounts of all UK subsidiaries are made up to 31st March 1977, whereas the accounts of overseas subsidiaries are made up to 31st December 1976 in order to facilitate early presentation of group accounts.

The accounts of overseas subsidiaries are converted into sterling at rates of exchange approximating to those ruling at 31st March 1977. Profits and losses arising on conversion of net current assets of these subsidiaries are included in profit before taxation and where they relate to fixed assets less loans, are dealt with through reserves.

Sales

These comprise sales to external customers and exclude value added tax.

Depreciation

Depreciation is calculated to write off assets during their expected normal lives. Property and shop fixtures and fittings are depreciated in equal annual instalments, and plant, including vehicles, by fixed percentages of residual book values.

Stock

Stock is valued at the lower of cost and net realisable value. Cost comprises purchase cost of goods, direct labour and those overheads related to manufacture and distribution based on normal activity levels.

Research and development

Expenditure, other than on buildings and plant, is charged against profits in the year in which it is incurred.

Pension funding

The company and its UK subsidiaries operate pension schemes under which contributions by employees and by the companies are held in a trustee-administered fund completely separated from the company's finances. Certain overseas companies operate their own pension schemes.

Deferred taxation

This comprises:

- (i) Tax at 52% on the excess of the book value of those fixed assets which qualify for taxation, allowances over their taxation written down value.
- (ii) Tax at 52% on other major timing differences.
- (iii) Stock appreciation relief for the four years ended 31st March 1977.
- (iv) A deduction for advance corporation tax recoverable.

No provision has been made for taxation liabilities which would arise on the distribution of profits retained by overseas subsidiaries.

Notes Relating to the Accounts

	1977 £m	1976 £m		1977 £m	1976 £m
2. Profit before taxation			3. Taxation		
(a) Includes:			The charge on the profit of the year consists of:		
Income from short term investments and is after charging:	7.8	5.6	UK corporation tax at 52%	28.7	30.9
Depreciation	10.5	8.7	Deferred taxation	17.0	5.3
Profit earning bonus for staff	7.4	6.1	Relief for overseas taxation	(2.5)	(1.2)
Bank and other short term interest	.4	.4		<u>43.2</u>	<u>35.0</u>
Interest on loan capital	.8	.8	Transitional relief for advance corporation tax	—	(1.8)
Computer and plant hire	1.2	1.0		<u>43.2</u>	<u>33.2</u>
Remuneration of auditors	.1	.1	Total UK taxation	4.7	2.7
			Overseas taxation	<u>47.9</u>	<u>35.9</u>
(b) In the year to 31st March 1976 an additional contribution to the Boots Pension Fund of £8.8m was charged before arriving at profit. A similar sum has been charged against profit for the year to 31st March 1977 towards a potential deficit in Boots Pension Fund as at that date.					
(c) Remuneration of directors:				1977 £m	1976 £m
The total remuneration of the directors of the parent company consists of fees £18,000 (1976 £16,000) and other remuneration £314,000 (1976 £305,000).					
The remuneration of the chairman was £42,000 (1976 £42,000).			4. Profit retained by parent company		
Other directors:	Number	Number	Attributable to shareholders	42.4	35.7
£32,501 to £35,000	2	1	Deduct profit retained by subsidiaries	8.7	8.8
£30,001 to £32,500	—	1		<u>33.7</u>	<u>26.9</u>
£25,001 to £27,500	1	1	Profit of parent company	9.7	8.7
£20,001 to £22,500	1	2	Deduct dividends	<u>24.0</u>	<u>18.2</u>
£17,501 to £20,000	4	1			
£15,001 to £17,500	—	2	Retained by parent company		
£5,001 to £7,500	1	—			
Not more than £2,500	4	3			
(d) Number of employees earning:					
£15,001 to £17,500	8	—	Provision has been made for a third interim dividend of .0525p per share which will be declared if the rate of tax credit changes to 33%.		
£12,501 to £15,000	36	27			
£10,001 to £12,500	39	48			

5. Earnings per share

The calculation of earnings per share is based on earnings of £42.4m (1976 £35.7m) and 356.2m ordinary shares in issue.

	1977 £m	1976 £m

6. Share capital

Ordinary shares of 25p each:

	1977 £m	1976 £m
Authorised	100.0	100.0
Issued and fully paid	89.0	89.0

	Group £m	Parent £m

7. Reserves

	Group £m	Parent £m
At 31st March 1976	116.9	55.9
Prior year adjustments	2.9	.2
	119.8	56.1
Profit retained	32.7	24.0
Currency adjustments	—	.2
At 31st March 1977	152.5	80.3

The basis of valuing stocks was changed during the year to include additional overhead costs. The prior year adjustments reflect the restatement of stocks at 31st March 1976 on the new basis of valuation.

	Group		Parent	
	1977 £m	1976 £m	1977 £m	1976 £m

8. Loan capital

Secured:

3¼% first mortgage debenture stock 1982	1.0	1.0	—	—
8½% debenture stock 1978/82	.3	.3	—	—

Unsecured:

6% loan stock 1978/83	2.1	2.1	2.1	2.1
6¼% loan stock 1983/88	1.0	1.1	—	—
7¾% loan stock 1988/93	5.7	5.7	5.7	5.7
8% loan stock 1986/91	1.5	1.5	—	—

	11.6	11.7	7.8	7.8
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(a) All loans are repayable at par, except the 8% loan stock, which is repayable at £105 per cent.

(b) The 6¼% and 8% loan stocks are redeemable by yearly sinking funds.

	Group		Parent	
	£m	£m	£m	£m

9. Deferred taxation

On excess of book value of fixed assets over their taxation written down value	34.1	26.2	13.8	10.1
On other major timing differences	(8.0)	(6.0)	(8.4)	(7.0)
Stock appreciation relief for the four years ended 31st March 1977	25.0	13.9	14.6	8.4
Advance corporation tax recoverable	(3.3)	(3.0)	(3.3)	(3.0)
	47.8	31.1	16.7	8.5

Notes Relating to the Accounts

		Property £m	Group Fixtures and Plant £m	Total £m	Property £m	Parent Fixtures and Plant £m	Total £m		
10. Fixed assets									
Cost or valuation	At 1st April 1976	131.0	94.7	225.7	22.5	34.2	56.7		
	Capital expenditure	16.2	20.8	37.0	3.3	8.1	11.4		
	Subsidiary acquired	—	.4	.4	—	—	—		
	Disposals	(2.4)	(2.8)	(5.2)	(.1)	(1.0)	(1.1)		
	Transfers and adjustments	(.2)	.5	.3	(.3)	.2	(.1)		
	At 31st March 1977	144.6	113.6	258.2	25.4	41.5	66.9		
	Cost	97.5	113.6	211.1	15.8	41.5	57.3		
	Independent valuation 1958	9.6	—	9.6	9.6	—	9.6		
	1959	1.3	—	1.3	—	—	—		
	1965	35.1	—	35.1	—	—	—		
	Directors' valuation 1971	1.1	—	1.1	—	—	—		
	At 31st March 1977	144.6	113.6	258.2	25.4	41.5	66.9		
Depreciation	At 1st April 1976	17.3	38.6	55.9	6.2	16.3	22.5		
	Depreciation for year	2.5	8.0	10.5	.6	2.3	3.5		
	Subsidiary acquired	—	.2	.2	—	—	—		
	Disposals	(.5)	(2.4)	(2.9)	—	(.8)	(.8)		
	Transfers and adjustments	(.1)	.2	.1	—	—	—		
	At 31st March 1977	19.2	44.6	63.8	6.8	18.4	25.2		
Net book value at 31st March 1977		125.4	69.0	194.4	18.6	23.1	41.7		
		Freehold £m	Long lease £m	Short lease £m	Total £m	Freehold £m	Long lease £m	Short lease £m	Total £m
	The tenure of properties is as follows:								
	Cost or valuation	107.0	16.6	21.0	144.6	24.1	.2	1.1	25.4
	Depreciation	12.7	2.0	4.5	19.2	6.4	—	.4	6.8
	Net book value	94.3	14.6	16.5	125.4	17.7	.2	.7	18.6

	1977 £m	1976 £m
11. Subsidiaries		
(a) Investments:		
At book value of net assets at acquisition	15.3	15.3
At cost	13.3	12.8
	<u>28.6</u>	<u>28.1</u>
(b) Loans:		
Due to parent	10.2	10.1
Due to subsidiaries	(.1)	—
Current accounts:		
Due to parent	63.1	51.7
Due to subsidiaries	(2.7)	(6.1)
	<u>70.5</u>	<u>55.7</u>
	<u>99.1</u>	<u>83.8</u>

- (c) Investments in overseas subsidiaries are expressed at local currency cost converted into sterling at the exchange rate ruling on 31st March 1977.
- (d) A list of the principal subsidiaries is shown on page 6.

	1977 £m	1976 £m
12. Investments		
Listed:		
Holding in Kakenyaku Kako in Japan at cost	1.0	.8
Market value on Tokyo Stock Exchange—£1.1m (1976 £0.9m).	—	—

	Group		Parent	
	1977 £m	1976 £m	1977 £m	1976 £m
13. Net current assets				
Stocks	144.2	110.5	70.3	52.5
Debtors	49.8	37.9	33.9	25.0
Cash and short term investments	73.8	70.5	66.5	66.8
	<u>267.8</u>	<u>218.9</u>	<u>170.7</u>	<u>144.3</u>
Creditors	88.5	71.4	65.9	54.6
Due to bankers	26.3	18.4	25.6	17.3
Taxation	30.5	32.6	12.1	15.5
Dividends	6.3	5.5	6.3	5.5
	<u>151.6</u>	<u>127.9</u>	<u>109.9</u>	<u>92.9</u>
	<u>116.2</u>	<u>91.0</u>	<u>60.8</u>	<u>51.4</u>

Overdrafts of certain overseas subsidiaries amounting to £0.4m at 31st December 1976 (1975 £1.0m) were secured on the assets of those subsidiaries.

Stocks comprise:			
Manufacturing:			
Raw materials	10.6	9.0	10.2
Work in progress	6.6	5.1	6.4
Finished goods	9.9	7.5	7.3
	<u>27.1</u>	<u>21.6</u>	<u>23.9</u>
Retailing	108.8	81.9	46.4
Overseas subsidiaries	8.3	7.0	—
	<u>144.2</u>	<u>110.5</u>	<u>70.3</u>
			<u>52.5</u>

Notes Relating to the Accounts

	Group		Parent	
	1977 £m	1976 £m	1977 £m	1976 £m
14. Commitments				
Future capital expenditure approved by the directors and not provided for in these accounts is as follows:				
Contracts placed	22.9	32.3	7.2	9.1
Contracts not placed	6.6	4.0	1.1	.4
	<u>29.5</u>	<u>36.3</u>	<u>8.3</u>	<u>9.5</u>

Since 31st March 1977 the company has announced its intention to acquire (subject to contract) the whole of the equity of the Rucker Pharmaceutical Company Inc. in the USA at a cost of £14.5m, the whole of the equity of G. Tamblin Ltd. in Canada for about £4.0m and 70% of the equity of Technochemie GmbH Verfahrenstechnik in Germany for £3.3m.

Report of the Auditors to the members of The Boots Company Ltd.

15. Contingent liabilities

Certain overseas subsidiaries had discounted bills of exchange at 31st December 1976 amounting to £0.5m (1975 £0.6m).

The parent company has guaranteed the bank overdrafts of certain subsidiaries to a total of £0.7m at 31st March 1977 (1976 £0.6m) and has a liability of £0.5m (1976 Nil) for uncalled capital in subsidiaries.

We have examined the accounts set out on pages 20 to 28 which have been prepared under the historical cost convention, adjusted by the revaluations of certain properties. In our opinion they give, under that convention, a true and fair view of the state of affairs of the company and of the group at 31st March 1977 and of the profit and sources and applications of funds of the group for the year to that date and comply with the Companies Acts 1948 and 1967.

The supplementary statements set out on pages 29 and 30 prepared under the current purchasing power convention in our opinion fairly restate in summarised form the results for the year and financial position of the group at 31st March 1977 on the basis of that convention.

PEAT, MARWICK, MITCHELL & CO.
Chartered accountants, Birmingham and London

19th May 1977

Summary of Results Adjusted for the Effects of Inflation

	Notes	Current general purchasing power basis		Historical basis	
		1977 £m	1976 £m	1977 £m	1976 £m
Group profits					
Sales (excluding VAT)		790.6	753.7	735.0	611.2
Profit before taxation	2	76.4	64.8	91.1	72.2
Taxation		47.9	41.5	47.9	35.9
Profit after taxation		28.5	23.3	43.2	36.3
Attributable to minority interests		.8	.6	.8	.6
Profit attributable to shareholders		27.7	22.7	42.4	35.7
Dividends		9.9	10.2	9.7	8.7
Profit retained		17.8	12.5	32.7	27.0
Financial position at 31st March 1977					
Fixed assets	3	375.5	361.6	194.4	169.8
Investments		1.2	1.1	1.0	.8
Net current assets		119.7	107.2	116.2	91.0
		496.4	469.9	311.6	261.6
Loan capital		11.6	13.5	11.6	11.7
Minority interests		1.9	1.2	1.9	1.2
Deferred taxation		47.8	36.4	47.8	31.1
Provision for pensions		8.8	10.3	8.8	8.8
Total shareholders' interests		426.3	408.5	241.5	208.8
Ratios					
Earnings per share		7.8p	6.4p	11.9p	10.0p
Dividends (times covered)		2.8	2.2	4.4	4.1
Profit after taxation as % of capital employed		5.7%	5.0%	13.9%	13.9%
Taxation as % of profit before taxation		62.7%	64.0%	52.6%	49.7%

Notes Relating to Results Adjusted for the Effects of Inflation

1. Basis of adjustment

The figures shown in the financial accounts have been converted into pounds of current general purchasing power by using factors which give effect to the decline in the value of money due to inflation.

The factors are calculated from changes in appropriate price indices ("the consumers' expenditure deflator" for transactions prior to 1962, and "the index of retail prices" for transactions from 1962 to 31st March 1977).

The adjusted figures for both 1976 and 1977 are therefore measured in pounds of purchasing power at 31st March 1977 when the index was 175.8 (31st March 1976: 150.6).

Both figures are based on January 1974—100.

	1977		1976	
	£m	£m	£m	£m
2. Profit before taxation				
Reconciliation of profit on the two bases				
Profit before taxation (historical basis)		91.1		72.2
Adjustments to convert to current general purchasing power basis:				
Stocks	(16.1)		(19.7)	
Depreciation of fixed assets	(13.3)		(9.7)	
Gain on net monetary liabilities	10.7		10.0	
Sales, purchases and expenses	4.0	(14.7)	3.6	(15.8)
		76.4		56.4
Adjustment required to restate last year's profit in 1977 pounds		—		8.4
Profit before taxation (current general purchasing power basis)		76.4		64.8

	Current general purchasing power basis		Historical basis	
	1977 £m	1976 £m	1977 £m	1976 £m
3. Fixed assets				
Cost or valuation:				
Properties	328.5	317.8	144.6	131.0
Fixtures and plant	223.0	207.3	113.6	94.7
	551.5	525.1	258.2	225.7
Depreciation:				
Properties	57.6	53.3	19.2	17.3
Fixtures and plant	118.4	110.2	44.6	38.6
	176.0	163.5	63.8	55.9
Fixed assets	375.5	361.6	194.4	169.8

Properties

Revalued properties have been converted by referring to the index at the date of revaluation. Subsequent outlay has been converted by reference to date incurred.

4. Overseas results

Overseas figures have been included at historical cost and no conversion to a current purchasing power basis has been made since the figures are not considered to be material.

Group Financial Record

		£m	1976	1975	1974	1973	1972	1971	1970	1969	1968
		1977									
Sales and profits	Sales (excluding VAT)	735.0	611.2	502.8	414.2	341.5	272.5	227.9	198.9	189.9	150.0
	Profit before taxation	91.1	72.2	65.7	63.7	56.7	34.2	25.0	20.2	19.1	16.8
	Taxation	47.9	35.9	34.0	32.8	22.8	14.5	10.7	9.2	9.1	7.6
	Profit after taxation	43.2	36.3	31.7	30.9	33.9	19.7	14.3	11.0	10.0	9.2
	Minority interests	.8	.6	.3	.2	.1	.1	—	—	—	—
Funds retained	Dividends	9.7	8.7	8.0	7.3	6.9	6.0	5.1	4.5	3.9	3.3
	Income tax on dividends	—	—	—	—	1.4	3.8	3.4	3.1	2.8	2.3
	Profit retained	32.7	27.0	23.4	23.4	25.5	9.8	5.8	3.4	3.3	3.6
	Depreciation	10.5	8.7	7.3	6.2	5.6	5.2	4.9	4.4	4.2	3.6
Capital expenditure	43.2	35.7	30.7	29.6	31.1	15.0	10.7	7.8	7.5	7.2	
Sources of capital	Share capital	37.0	32.4	35.7	25.0	11.9	10.6	9.5	8.3	6.2	6.9
	Reserves	89.0	89.0	44.5	44.5	44.5	44.5	44.5	44.5	44.5	38.4
	Shareholders' interests	152.5	119.8	134.2	110.9	89.0	63.4	54.9	49.5	45.4	39.1
	Loan capital	241.5	208.8	178.7	155.4	133.5	107.9	99.4	94.0	89.9	77.5
Employment of capital	Other sources	11.6	41.1	27.0	9.6	4.3	4.9	4.0	3.9	5.4	3.8
	Fixed assets	11.6	261.6	217.5	176.9	150.1	125.2	115.8	110.4	107.9	83.4
	Investments	194.4	169.8	148.1	121.3	104.5	99.5	95.8	91.9	89.8	70.4
	Net current assets	1.0	.8	—	—	—	—	—	—	—	—
Other statistics	Dividend per share (gross/including tax credit) adjusted for capitalisation issues	116.2	91.0	69.4	55.6	45.6	25.7	20.0	18.5	18.1	13.0
	Earnings per share (note 1)	11.9p	10.0p	8.8p	8.7p	—	—	—	—	—	—
	Profit after taxation as % of net book value of capital employed (note 2)	4.1p	3.8p	3.4p	3.1p	2.9p	2.8p	2.4p	2.2p	1.9p	1.8p
Notes		13.9	13.9	14.6	17.5	22.6	15.7	12.3	10.0	9.2	11.1
		1. No figures are shown for earnings per share prior to 1974 since they would not be on a comparable basis due to changes in the taxation system.					2. The book value of the group's property which amounts to 40% of the capital employed is, in the opinion of the directors, substantially below its current value.				

Shareholders' Interests

Shareholdings range	Shareholders		Shares ⁽¹⁾	
	Number	%	Number	%
1—500	40,798	36.5	11.3m	3.2
501—1,000	26,553	23.7	20.3m	5.7
1,001—10,000	41,701	37.3	114.1m	32.0
10,001—100,000	2,501	2.2	62.9m	17.6
100,001—1,000,000	279	.3	83.3m	23.4
Over 1,000,000	23		64.3m	18.1
	<u>111,855</u>		<u>356.2m</u>	

Category of shareholders	Shareholders		Shares	
	Number	%	Number	%
Pension funds	602	.5	73.3m	20.6
Insurance companies	515	.5	52.8m	14.8
Investment trusts	491	.5	34.4m	9.6
Banks	4,949	4.4	22.1m	6.2
Other corporate bodies	1,035	.9	16.3m	4.6
Other shareholders	104,263	93.2	157.3m	44.2
	<u>111,855</u>		<u>356.2m</u>	

The directors are not aware that any person held 5% or more of the share capital of the company on 19th May 1977.

Financial Calendar

Dividend and interest payments

Ordinary dividend
Interim: Announced November,
Payable January.
Final: Proposed May, Payable July.
6% loan stock interest
Paid 30th June, 30th September,
31st December and 31st March.
8½% loan stock interest
Paid 1st September and 1st March.
7½% loan stock interest
Paid 30th September and 31st March.
8% loan stock interest
Paid 31st July and 31st January.

Results

For half-year: Announced November.
For the Year: Announced May.
Report and accounts: Circulated June.
For capital gains tax purposes the market
value of a Boots share on 6th April 1966
was 40p and of £100 6% loan stock was
£90.37½.